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Truman Outlines "Point IV" Program

In message to Congress, he asks $45 million to launch development of areas in Africa, the Far and Near East, and Latin America. U. S. contribution would be in cooperation with $36 million Program of United Nations. Advocates private capital guarantee.

President Harry S. Truman sent a message to Congress on June 24, outlining a program to develop backward areas and asked for an initial appropriation of $45 million to set the plan in motion. The President pointed out in his message that a similar program is under way by the United Nations contemplating an outlay of $36 million, and two programs should be coordinated. He strongly urged Congress to authorize the Export-Import Bank to guarantee private investment participating in the program against risks of expropriation, unfair treatment, war and rebellion as well as against inability to convert into dollars both earnings and capital.

President Truman

The text of the President's message follows:

To the Congress of the United States:

In order to enable the United States, in cooperation with

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The Crucial Problems Confronting Today's Investor

By HAROLD E. AUL*
Vice-President, Calvin Bullock

As positive economic factors, analyst cites: apparent relaxing of "Fair Deal" policies; cushion to be provided by government stimulants; absence of surprise over bearish developments; and high level of individual incomes and savings. On negative side he lists: long-term international political tension; "inevitability" of sterling devalution; possible vicious deflationary spiral with acceleraton of production decline. Concludes we have completed half of readjustment. Regarding investment policy, recommends investor devote at least 60% to good stocks, balance in U. S. bonds.

The problems which confront the investor are always manifold and perplexing. It suffices simply to mention some of the current major problems to emphasize their magnitude and complexity.

Will there be war with Russia? How far along the road of state socialism will our current trends of political and social thinking carry us, and what will be the economic consequences? How long and how deep will be the current business slump? What will be the degree of its impact on the financial position and earnings of typical corporations? How can the investor best protect himself against these "slings of outrageous fortune"? Should he forego income and seek the storm cellar of cash and high grade bonds, ignoring the huge measure of inflation frozen into our economy; or should he seek the current alluring yields of common stocks, ignoring the certainty of a sharp decline in corporate earnings over the next 12 months? What industries provide the most reasonable prospects of satisfactory investment experience in this particular phase of the economic

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*A talk by Mr. Aul before the New York Society of Security Analysts, June 28, 1949.

Stockholders Must Unionize!

By ELISHA M. FRIEDMAN*
Consulting Economist
Chairman, Econometric Institute

Maintaining stockholders are exploited by labor and discriminated against by politicians, Mr. Friedman offers a new method to protect them. In order to offset pressure groups threatening free enterprise he proposes organizing stockholders into unions, by companies, by industries, and into a National Federation. Advocates payment of expenses by "check-off" technique. Suggests investment trusts, dealers and brokers initiate the move.

Stockholders are neither organized nor vocal. Therefore, they have been retreating before organized powerful pressure groups. Thus, social and political forces, which should be in equilibrium, are in precarious imbalance. Free enterprise and free government are thereby threatened. Therefore, for self-defense, stockholders must also organize into unions. Investment trusts, counsel and dealers, brokers and bankers should form an *ad hoc* committee to initiate the movement to protect their clients, stockholders, and thus themselves also.

Elisha M. Friedman

What Are the Evils?

Our economy faces a crisis.—The danger is not from abroad, as

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*A paper read by Mr. Friedman, Consulting Economist with offices at 20 Broad St., New York City, before N. Y. Society of Security Analysts, New York City, June 21, 1949.

EDITORIAL

As We See It

Last January, President Truman, feeling the need, so the story goes, of some dramatic touch with which to give his new term in office a good start, came forward with the suggestion of a "bold new program" for extending the benefits of the New Deal or the Fair Deal to most of the areas of the world which had not yet directly and in large measure felt the beneficent touch of American prodigality. It was evident at the time that the President himself did not know precisely what it was that he had in mind. Neither did any one else, apparently. The months since have been spent trying to find a real and concrete meaning for this suggestion and to formulate some program of action. Meanwhile, too, it would appear that some further thought has been given to making full political use of this vague idea.

At length late last week the President sent a message to Congress in which he talked at greater length about the subject. To the dispassionate observer it does not appear that he and his advisers have made very much progress in developing the original idea, or in making it appear particularly related to life in this very real world in which we live. Supporters of the scheme, whatever it ultimately turns out to be, and some of the current commentators who have tried to explain it and the reasons for it, have fared about as badly. Apparently

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The Federal Reserve System Emasculated

By W. RANDOLPH BURGESS*

Chairman, Executive Committee, The National City Bank of New York
Member, Federal Advisory Council, Federal Reserve System

Asserting Federal Reserve System is being diverted from original purposes and principles, prominent New York banker describes recent trends in Reserve policy and points out as critical questions relating to organization and operation of system: (1) growing Treasury control over central banking operations; (2) breakdown of regional plan by concentration of power in Board at Washington; and (3) expansion and intensification of Reserve Board powers over banking and credit.

This autumn the Federal Reserve System will have been in operation for 35 years. It has served without question a useful purpose in the economic life of America. Today the System is in danger. It is being diverted from the purposes and principles of its founding. It is being changed in ways that have short-term plausibility but may spell long-term failure.

W. R. Burgess

The Federal Reserve System was established after more than a decade of public discussion of the principles of central banking. On the whole, its structure, modified gradually over the years by practice and legislation, has proved sound. But the original act was passed a generation ago. The gravest threat is that this generation is treating the Federal Reserve System as just one more government agency and losing sight of its major purposes, and neglecting the safeguards which are necessary to protect it in the fulfillment of its great objectives.

Part of our present difficulties are due to the subordination of the System to the financing and management of two major wars. Its proper peacetime position has not yet been restored.

The Problem—Stability

The Federal Reserve System was established following the 1907 panic as a means of preventing depressions. The reasoning at that time may appear to us today oversimplified and naive. It was supposed that depressions were largely the result of money panics, and that a mechanism to supply money at a time of crisis would prevent the panic and, therefore, the depression. The key idea of the Reserve System was providing an elastic currency.

The depressions of 1921 and the '30s showed that this analysis was inadequate. These two depressions were more severe than those before the establishment of the System.

What has happened over these years has been to redefine the responsibilities of the Reserve System in broader terms, but not to change the fundamental objectives of avoiding depressions. More than ever, the central problem of modern economics has become the problem of moderating business fluctuations. Thus, the major purpose of the Reserve System has become the major objective of peacetime economics.

As the level of economic prosperity in a country rises, the danger of business fluctuations appears to be heightened. A larger proportion of the country's economic activity is in investment in buildings and machines, houses, automobiles, and other durable goods, rather than in consumption goods. This sort of activity is postponable, and people postpone it from time to time for one reason or another. One of the greatest reasons—if not the principal one—for postponement is that people as individuals and as businessmen find suddenly that they have overspent and overbuilt, and overstocked with goods.

Hundreds of other causes enter into the great fluctuations of business: the weather, wars, political changes which affect confidence, failures due to mismanagement of business or banks, strikes or other labor difficulties, bad legislation and unsound fiscal policy, depression in other countries, etc., etc. An analysis of almost any depression usually reveals a number of these causes at work.

Just as there is no single constant cause of depressions, there is no single cure, nor can anyone agency control them. This does not mean, however, that we must accept depressions and their miseries as inevitable "Acts of God" about which nothing can be done. The unemployed will not so accept them but will press government to do something about them; and it is now the fashion for government to assume large responsibility for and power over the people's economic welfare.

At this point, some clear thinking is called for to recognize what can actually be done by government and what by individuals and business. Those who would argue that business changes are the province of business and free individual choice find some support in recent experience. In the postwar boom, businessmen have shown prudence in avoiding overexpansion or going heavily in debt. The anti-inflation program of the banks helped keep the boom in bounds. All of this, we hope, will cushion the recession and shorten its length. As business and banking grow in economic understanding and maturity of experience, we should ourselves be able, by keeping our own operations sane and foresighted, to help lessen violent adjustments.

But it would be foolish to deny that the government has a great influence on business fluctuations. Often the influence is in reverse: government expands the boom by overspending. In latter years, the government has tried consciously and vigorously, though often clumsily, to check booms and depressions. Since the passage of the Federal Reserve Act, the government has moved into many other fields of human activity; and many possible ways have been canvassed in which government may stabilize business and employment.

Direct Controls

In the discussions of today, there are three general approaches to this problem of reducing economic fluctuations by government action. One is through establishing direct controls. That is the totalitarian way. Somebody at headquarters makes a plan of fixing prices and wages and rationing goods, and compels everybody else to follow it, whether he likes it or not. So far, no country has yet succeeded in controlling business fluctuations in that fashion. Even with good intentions, how can the men who make the plan have the wisdom to know how much of different kinds of food people can be made to eat, how much of different kinds of clothing they should wear, what the weather will be, what other countries will do in the way of buying the products of the country or offering their own products in exchange? There is no clear evidence that the method does in fact reduce major economic fluctuations. In the cases of Hitler and Mussolini, it led to war, the greatest unstabilizer of all.

Another major question is whether human beings will exert the energy and the ingenuity which are necessary to vigorous economic growth when they are bound hand and foot by government controls, as compared with developing their own ideas and interests. This country has led the world in economic growth and raising living standards under capitalism, which rests on individual freedom and initiative. Evidence of the results of controls is clear to every visitor in Europe today. The detailed economic management to which the people of many European countries have been driven, both by circumstances and by theories, does not work well. There are leaks and evasions on the one hand, and the crippling of enterprise on the other.

While there is today in the United States an important group of people who believe in establishing totalitarian controls in this country, this is not the American way of doing things. We know this method is incompatible with the preservation of our democratic practices of freedom of the individual.

Compensatory Spending

The most fashionable recent attempt in this country to combat economic instability is through variations in the amount of government spending, the "compensatory spending" theory. For example, the author of the Hoover Task Force Report on the Federal Reserve System appeared to be of that school of thought when he said: "The impact of the Federal budget on the level of production, prices, and employment is now widely recognized. Federal Reserve monetary policy is now seen as probably subsidiary in impotrance to the Federal budget in mitigating general economic instability; certainly it is of no more than correlative importance." Fortunately this report of the Task Force was not adopted by the Hoover Commission itself.

The Federal budget is, of course, an important economic influence but not always a salutary one. Experience in recent years is discouraging to the belief that the budget can be so subjected to economic control that its fluctuations will become a stabilizing influence in the business cycle. According to the theory, spending

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*Address by Mr. Burgess before the Economic Seminar of The Graduate School of Banking, Rutgers University, New Brunswick, N. J., June 24, 1949.

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Industrial Possibilities Of Sonic Energy

By HAROLD W. DANSER, JR.*

President, Ultrasonic Corporation, Cambridge, Mass.

Mr. Danser traces development of new industrial sound generators and discusses current and potential markets for their use. Describes origin, organization and prospects of Ultrasonic Corporation.

I appreciate your invitation to talk with you about the field of sonic energy, and some of its possibilities. This is a new field of science, and its possible applications are expanding continually. In discussing some of the presently foreseeable industrial uses for sound, I would like at the same time to document the discussion by telling you something about our company, Ultrasonic Corp. here in Cambridge. Our company's work is exclusively in this area of developing equipment and processes for using sound as an industrial working tool; furthermore, we know of no other company that is as yet operating in our new field of industrial work. Hence an analysis and evaluation of the possibilities for industrial uses of sonic energy may well at the same time serve as a blueprint from which may be measured the scope of the interests and possibilities of our company.

Harold W. Danser, Jr.

Early Uses for Sonic Energy

Historically, the science of ultrasonics (sound waves higher in pitch than the human ear can detect) dates back to World War I, when sound waves were first used for underwater signaling and detection purposes, a forerunner of World War II's sonar equipment. The sound generators developed for this purpose were electronic, and utilized quartz crystal or magneto-striction vibrating members to generate the sound. The ocean serves merely to conduct the sound pressure wave from generator to target, and then to conduct the echo back toward the generator. Similarly, sound may be used to traverse metal structures such as axles of railroad locomotives, the flaws or cracks therein being detected from the echo cast by such defects. Such electronic sound generators develop but the few watts of acoustic power output needed to transmit the wave, and are of use solely for communications purposes or for test tube scale laboratory experimentation. With such equipment, no actual physical work is performed by the sound upon, for example, the ocean water itself, whereas in the industrial processes developed by Ultrasonic Corp. the sound itself for the first time does work upon the gas or liquid through which it passes.

Development of New Industrial-Scale Sound Generators

A vastly greater amount of acoustic power output than that available from these historic electronic sound generators is required, however, if sound waves are to be used as an industrial processing tool. Ultrasonic Corp. has now developed a series of new mechanical sound generators capable of delivering tens of thousands of watts of acoustic power. With these generators, the company has taken sound waves out of the laboratory and put them permanently to work in the industrial plant. These generators are somewhat like a siren in construction. Compressed gas (air, or any other process gas) is passed through these generators and is therein effectively chopped up into sound waves. Depending upon the rotation speed of the shaft in the sound generator, and upon certain design characteristics, frequencies may be obtained varying between about 1,000 cycles per second up to about 200,000 cycles per second. At any given frequency, depending upon the volume of compressed gas passing through the sound generator, the total acoustic power output may be varied from but a few watts up to several kilowatts.

Use of Sonic Energy as Industrial Processing Tool—Dust Collection

One of the first commercial processes which Ultrasonic Corp. undertook to develop for use of sonic energy was the process of using sound to effect the collection and recovery of very fine particles (smoke, fume, dust or fog) from air or other gases. German investigators some years ago discovered the principle of using sound to cause such tiny particles to vibrate, to collide together, and to adhere or agglomerate into large clusters which would then be so heavy that they could be readily collected, whereas the initial fine particles alone would be so light that their collection would be difficult. Having sound generators capable of delivering high acoustic power outputs, Ultrasonic Corp. has experimentally undertaken to develop this technique further, first on a pilot plant, and then a full industrial-scale basis. Its installation of a carbon black agglomeration and collection system on a pilot plant basis for a customer in Texas has demonstrated satisfactory collection efficiency as has a large-scale sulfuric acid fog collection installation made in New Jersey. The company is now engaged in engineering and development work looking toward completing additional installations of its equipment in an increasing number of process industries. The

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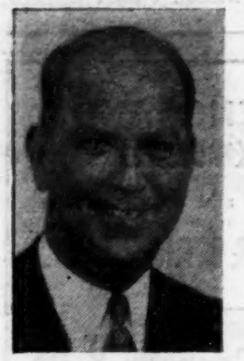
*An address by Mr. Danser before the Boston Investment Club, Boston, Mass., June 7, 1949.

Building a Successful Sales Organization

By DOUGLAS K. PORTEOUS, A Salesmanager*

Urging "selling," not merely "offering" securities by accepted methods of salesmanship currently employed in fields of insurance, advertising and specialty lines, prominent securities sales manager favors selling personnel qualified to deal with average American and not merely with wealthy class. Says securities selling efforts have become "muscle bound," and stronger promotional and advertising activities are required. Outlines specific problems in building-up sales organization and gives examples of mailing literature.

The good old New Haven railroad brought me to Boston this morning and while glancing around my car, I spotted a long time friend. This chap is about 55 years of age, an underwriter who builds up syndicates through getting many dealers into joint participation.



Douglas K. Porteous

My traveling companion underwrites medium grade bonds, preferred stocks, and common stocks, which must be marketed or merchandised through retail sales efforts to buyers throughout the country. This is the way our conversation developed: "Doug, where are you going, what's up?" And I said, "I am going to Boston. The Boston Investment Club and Boston University have cooperated in doing a splendid job on Securities Salesmanship. They've asked me to participate."

And my underwriter friend said, "Are you going to make a talk tonight?" and I replied, "Yes."

Whereupon he said, "Are you going to shoot from the shoulder, like I know you can?" I replied, "Well, there are a lot of things you and I can say around the luncheon table which one can't say with a stenotyper copying everything down. This is especially true considering my subject, 'Building a Successful Sales Organization'."

I made some notes of his following comments on the margin of this morning's newspaper, and I shall go over these pencilled notes with you.

This is from a chap about 55 years of age, who has been in our field all his adult life. He knows the business and is pretty fearless. He doesn't meet the public; he always deals with professionals—you can talk to professionals on a different basis than with a retail client. A man's true age is not his chronological age . . . it's in the character of his thinking, or in his spirit.

My young 55-year-old friend said: "I dare you to tell the fellows this: Our industry is made up almost entirely of decadent old men! Decadent not necessarily in chronological age but mainly decadent in thinking and in progressiveness; or lack of progressiveness.

"Just look at Kidder, Peabody & Co. advertising in the 'CIO Journal.' How many firms have the audacity and boldness to do that? Here is 'Baldy' Smith, the Manager of Reynolds & Co., brokers in Lancaster, Pa., a real merchant—he has a display of Libby's fruits and vegetables and the products of other manufacturers right on Duke Street, the most congested street in the City of Lancaster. There's a man with enterprises. No beaten paths for 'Baldy.'

"There is another live firm down in Philadelphia, Buckley Brothers. That outfit is 'going to town,' but how many are like that? And the reason for Buckley's success is that originally it was an over-the-counter house without tradition and the men didn't care a hoot for prestige. Consequently, everybody was trained to sell, and that same attitude prevails in the firm right now, although they now have recognition and a lot of branches; but the major attitude is still that way.

"I know a fellow down in North Carolina, a young man who doesn't know about all this tradition stuff. He has the best bird-dog in the business: his wife. He talks over the business with his wife; he makes the sales and, believe me, they are cleaning up. But, Doug, that guy works, 8, 10, 12 hours a day. But where do we find that kind of sales originality and hard work among the old timers? Where do we find advertising originality and sales promotion? There is hardly any salesmanship in our selling, Doug. Most men are 'offering' securities; few are 'selling' by the well publicized and accepted methods of salesmanship currently employed in the fields of insurance, advertising and specialty lines."

Selling in the '20s

When I was a boy in grade school, I used to see, about 3:30 almost every afternoon, a nice old gentleman named Hewlett. He was quite elderly, he wore a tall, dark hat and a long frock coat, a nice, sweet, old gentleman. I asked my mother why Mr. Hewlett was dressed that way, and she said: "That was the style when he was 'sparking,' calling on the girls as a young man."

When I entered Tulane University I found there a Hewlett Memorial Building, and my mother reminded me of that story: "Son, don't you know every man would like to see a crystallization of the 'body-social' and the 'body-economic' as of his young adulthood?"

In the 1920s I came into the investment business where everybody received a salary. I found a

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*A lecture by Mr. Porteous, Vice-President of The Cohu Corporation. This is the 15th and final of a series in a course on Investment Salesmanship, sponsored by Boston University and the Boston Investment Club, Boston, Mass., May 10, 1949.

Observations . . . .

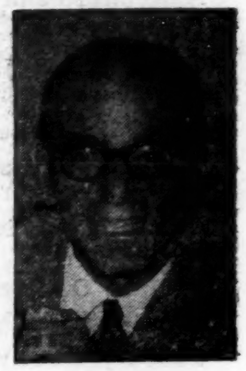
By A. WILFRED MAY

CAN INVESTORS BE UNIONIZED?

Their Joan-of-Arc Says "No"

Public interest in stockholder organization and self-protection received a fillip last week from the proposals aggressively advanced by Elisha M. Friedman, a New York economist.

Mr. Friedman's carefully documented paper, read before the New York Society of Security Analysts *(and reprinted in full on page one of this issue of the "Chronicle")*, is significant for a number of reasons. In the first place there was a remarkable arousal of interest, both at the meeting and thereafter, in the face of the blistering heat wave. In the second place, there has been the renewed revelation of the crucial importance of the public relations factor. In the third place, the ensuing discussion has emphasized the amount of dissension existing among the various proponents of the commonly sought end of stockholder protection.



A. Wilfred May

The obstacles to public confidence in prostockholder agitation, irrespective of the worthiness of the organizations or their leaders, have always created a main difficulty in the way of a worthwhile following. Again with Mr. Friedman's proposition for unionizing stockholders on a craft basis, irrespective of its merits, it is sure to encounter tough sledding because of charges that financing of expenses by the respective corporations would amount to pulling the latter's chestnuts out of the fire.

It seems the job can only be done the hard way!

This alleged defect as well as the unfortunate existence of deep-seated and acrimonious dissension among the stockholder-protagonists (the "jurisdictional dispute")—following both ideological and sex differentiation—are highlighted in a communication sent to this column by Wilma Soss, published below.

Of course, this columnist assumes no responsibility for Mrs. Soss' views. (A detailed critique of the Federation of Women Shareholders appeared in this column of April 28.)

* * *

Mrs. Soss' official title is President of the Federation of Women Shareholders in American Business, Inc., a non-profit, non-political association of women organized by women with headquarters at 237 Madison Avenue, New York City. She thinks of herself as "the founder of the woman's economic suffrage movement which is the logical development of the woman's political suffrage movement in a country where women are said to own 70% of the privately held wealth."

The United Press has dubbed her "the Joan of Arc of Industry" and the magazine "Newsweek" has called her "the Susan B. Anthony of women stockholders"; but she sees herself as just another good American citizen and her movement as "American as apple pie." She tells us she does not regard herself as a feminist but a "togetherist" seeking "equal partnership in economic affairs with men for greater national security."

Letter From Mrs. Soss

Dear Mr. May:

I have carefully studied Mr. Elisha Friedman's plan for improving the sorry lot of American stockholders through "unionization," because of the publicity which it has engendered and because of my vital interest in his desirable ends. I am taking the liberty of submitting my reactions to you because of your column's devotion of serious attention and space to the crucial question of shareholder-management relations.

The idea of a stockholders' union is not new. I have studied the Friedman plan to observe some signs of liberation similar to our own "bill of rights" for the stockholder in setting up a protective union. It is written so persuasively that many stockholders will believe it is the answer to wishful thinking. It reminds me of the "independent" shippers' group set up by railroads with a secretary paid by them. Management is also neatly persuaded of its control in such detail that it looks as if this economist's speech has been written from a set of by-laws already legally drawn or outlined by corporation counsel.

Is this a plan to promote a bona fide federation of stockholders or to create, in effect, an NAM of stockholders which added to the stresses and strains besetting our economy may hasten the day of nationalization?

Is this a union designed to combat government control and labor demands or is it also designed to suppress the growing independent stockholders' movement and an economic democracy which may be the last white hope of the private enterprise system, IF industry doesn't upset the apple cart by setting up a Charlie McCarthy group of stockholders as a lobby?

Are the socialists and communists already hopefully chortling at this moment at capitalistic vulnerability behind the thin veil of protecting the small stockholder which can be used further to break down public confidence in "Big Business" at a time when even Emil Schram told me we are nearer nationalization than most people think?

What price stockholder independence to persuade management to help set up the mechanics of a stockholders' union and to fork over sufficient funds to provide for organization and a paid director? What will be the result from the actions for legislative or court relief and public cries in the press of the unwilling minority stockholder, who will then have taxation without representation, and can point out managerial abuses and excesses which industry, prodded by public stockholders, itself is correcting?

A Front for Management

What price management for setting up a stockholders' union to front for it in fighting labor, double taxation, the capital gains

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A slight decline characterized total industrial production for the country at large last week and it continued to reflect, as in past weeks, a moderately lower trend when compared with the high level which obtained in the corresponding period a year ago.

On the employment front it is noted that total claims for unemployment insurance in the week ended June 11 rose about 9% to establish a new postwar peak. These claims continued to be noticeably above the low level of a year ago. In the same week initial claims reflected an increase of 20%.

It was found for the first half of May that the index on living costs compiled by the Bureau of Labor Statistics nosed slightly downward in the period ended on May 15. In mid-April, the index had recorded an advance of 0.1% from mid-March and according to officials, there has been no substantial change for the last two months.

Fluctuations have been wider among individual cities, than in the national average.

Prices of all major groups except rent were a little lower than in the month ended April 15, the report said. Fuels declined 1.5%, house furnishings 1.3% and apparel 0.6%.

Retail food prices decreased 0.2% for the month, while rents on the other hand, rose 0.1%.

The index of May 15 was 169.2% of the five year, 1935-39 average. This is 0.8% under a year ago, but 26.9% above June 1946 and 71.6% higher than the August, 1939 level.

The new index will not affect wages of workers employed by General Motors Corp., whose pay is geared to quarterly adjustments in the index. The June 15-July 15 index, to be issued in August, is the next one applicable to General Motors.

In the month ended May 15, food prices decreased in 28 cities, increased in 25 and were unchanged in three.

* * *

On Thursday of last week John L. Lewis, United Mine Workers' head, it was reported, endeavored at a meeting held at White Sulphur Springs, West Va., to obtain the consent of about 70% of the soft coal industry to sign a new contract and then proceed to bring pressure on the remainder of the coal industry to follow suit.

In the event Mr. Lewis is successful in achieving his aims, only the mining subsidiaries of the United States Steel Corp. and members of the Southern Coal Producers Association who have been meeting with the United Mine Workers at Bluefield, W. Va., would be left outside.

The above action by the United Mine Workers head left little doubt that Mr. Lewis would attempt to gain a contract here and then proceed to apply it to the entire bituminous industry.

* * *

Business failures declined in May for he first time in six months. They were down 12% to 776. Although below the March and April levels, casualties exceeded those in any other month since June 1942, Dun & Bradstreet, Inc., reports in its index of business failures.

Concerns failing were some 82% more numerous than in May a year ago and compared with a wartime low of 72 in May 1945 and a prewar high of 2,738 in May 1932.

While casualties occurred at the highest rate of any postwar May, they were only half as frequent as in the prewar May 1940 when 66 of each 10,000 concerns failed.

The liabilities as well as the number of failures decreased slightly in May. At $28,374,000, liabilities were some $3,500,000 below the April level, but they were twice as large as in May 1948.

Casualties of all sizes decreased slightly except those in the $25,000-$100,000 group.

All industry and trade groups except wholesaling reported fewer casualties than in April.

Continued promotional campaigns by many merchants were instrumental in sustained total retail dollar volume at a high level in the week. It was very moderately below that of the comparable week in 1948. Seasonal merchandise continued to attract considerable attention.

As many buyers evinced an increased interest in Fall merchandise, aggregate wholesale dollar volume rose slightly last week and closed moderately below that of the corresponding week last year. Reorders of currently seasonal goods remained very numerous. Many retailers insisted upon prompt delivery.

STEEL OPERATIONS SCHEDULED AT 79.9% OF CAPACITY—LOWEST SINCE COAL STRIKE IN WEEK OF APRIL 12, 1948—MARKS 11TH CONSECUTIVE WEEK OF DECLINING OUTPUT

The steel industry is facing a summer letdown that may be interpreted as something it isn't. Output will drop off and orders will lag. Most of this current decline in activity is due to summer seasonal factors: working off of inventories "just in case; waiting for outcome of labor negotiations and wholesale shutdowns for mass vacations, states "The Iron Age," national metalworking weekly, in its current review of the steel trade.

This chain of events may dig deep into the operating rate but it does not mean that things are going to ruin in steel. As to fresh order volume, this week it is off. Cancellations are still heavy and there is no real interest in ordering because of possible steel shutdowns or changes in price. Most steel users are not worried about the possibility of a steel strike. Nor are they worried about higher prices, this trade authority notes.

Steel consumers are still agitating for lower steel prices. But there is little chance that they will get them in the near future—except in the case of freight absorption if that starts soon. If the Congress approves the freight absorption bill major steel companies will begin cautiously to absorb freight. This should mean lower prices

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Banker's Role in Adjusted Economy

By HON. JOHN W. SNYDER*
Secretary of the Treasury

After praising record of banks in meeting postwar adjustments, Secretary Snyder urges carrying out traditional role of helping to translate business opportunities into realities. Says it is time for change in business psychology and advocates more selling and advertising activities. Stresses high rate of national income, and holds "we can move forward to new achievements."

Banking plays an influential part in helping shape the general financial and economic viewpoint. Because of your role in business, commerce, agriculture and industry, you bankers are in a strategic position to render a most desirable service to the public as well as to yourselves. Bankers with confidence in the future of this Nation have made a vital contribution to the development of the resources and opportunities that distinguish this great country. Your effective help is needed in the interesting days which lie ahead.

John W. Snyder

I have been attentive to the note of confidence in the economic and financial picture which has emanated from the various bankers' conferences this year. I have found these reports particularly impressive since you bankers are generally the first of the business community to detect and measure all phases of economic adjustments and readjustments.

There are, unfortunately, some persons who do not understand our over-all capacity and economic resources. There are also people who do not see beyond temporary obstacles which arise from time to time and cannot therefore envision the main current of our national progress.

Fears have been voiced each year since the end of the war about our economic position. Gloomy economic forecasts were made at the very time we were achieving the greatest heights of prosperity that we have ever known. We became so accustomed to making new business records, month after month following the war, that our ceasing to establish further new highs in 1949 caused long faces among harbingers of woe. The fact that business is continuing to operate at near-record levels, after more than three years of unprecedented output, has not been sufficiently emphasized.

In a period such as the present, it is of the utmost importance not to allow current readjustments in business activity to blind us to the great opportunities which are developing for our future. The readjustments going on this year, we must remember, represent a desirable shift to more normal competitive conditions. America has grown and prospered in an environment of competitive business enterprise. Competitive products and competitive pricing have, throughout our history, been the mainsprings of economic life in this country.

In the half century since you Colorado bankers first got together to talk over your problems, there have been vast changes in the economic life of this country. We have seen in that interval the development of our great airplane, automotive, and electrical industries, and we are now witnessing the beginnings of an atomic energy program which may bring further revolutionary changes in the industrial life of the country.

However great as the developments in the past 50 years have been, I believe that the opportunities which lie before us today are equally great. Today, as previously, the American banker is called upon to carry out his traditional role of helping to translate these opportunities into reality and of meeting the new demands that will grow out of the adjusted situation in the business and financial world. Decisions will have to be based on an informed judgment as to sound business policies and a course steered between exaggerated hopes on the one hand and unwarranted fears on the other.

In your own field of commercial banking, caution and good judgment prevented the over-extension of inflationary credit. And, you have been active in other than credit areas during the postwar years. Your investment advice has been sound. You have kept your own security portfolios in good order as your postwar loan volume increased.

On many occasions, you have demonstrated your capacity to meet changing circumstances. There was, first, the Government security pay-off program, when bank holdings of this one type of earning asset declined $20 billion in the short period of a year and a half. Bankers were well prepared to meet this situation, because they had plenty of short-term securities on hand.

There was the period of rapid postwar loan expansion, when bank loans to private business went up $18 billion. Bankers were in a position to meet these demands successfully, also.

There were changes in reserve requirements. When they were increased last fall, you were able to take that situation in your stride; when reserve requirements were reduced this spring, you adjusted yourselves again.

In general, I believe that bankers deserve much credit for the sound record written during this period of adjustment to peacetime conditions.

As to the future, it is up to the members of the banking fraternity to demonstrate that they fully intend to retain their leadership in financing the needs of private enterprise by meeting their obligations with courage and determination. While in many ways the exerting of effective banking influence in the present period is difficult, I am confident, as I said before, that the bankers of the country will marshal their available credit resources in such a way as to provide sound support for the economy.

There have been difficult problems of readjustment likewise in other areas of the economy—in industry, in farming, in labor, and in Government. These, too, have been met with the vigor and determination characteristic of this nation.

It is important to realize—when we try to get a perspective on the present situation—that we have 17 million more people today in the United States than we had before the war. This is an increase as great as if six cities the size of New York, Chicago, Philadelphia, Detroit, Los Angeles, and Cleveland—our six largest in 1940—had been added to the population in the short space of ten years.

Moreover, there have been vast shifts in the population as between different areas of the country. Our newly expanded communities need new schools, hospitals, roads, shopping centers, and municipal service plants. More than that, many existing facilities—largely neglected during the war—have yet to be repaired, modernized, or replaced.

And, finally, our entire population has come to demand a continually improving standard of living.

All of these facts point to a strong demand for the basic essentials of living, which will contribute to active business in the near future.

Change in Business Psychology

Of course, for business to make the most of its opportunities, business will have to get out and sell. And that change in business psychology is fortunately already taking place.

Until recently, there has been little need for salesmanship. Products, substantially unchanged since before our entry into the war, were selling as fast as they could be turned out. It appeared to be good business, under such circumstances, not to take the risk of offering new products. Competitive selling methods, which have always been the mark of our free enterprise system, were largely abandoned.

Now, our distributing and selling organizations realize that they must get out and sell. More important, sales organizations are beginning to insist on new and up-to-date products.

Business management has been well aware of the fact that, at some time, sellers' markets would become buyers' markets. In anticipation of the return of competition, American business has invested the tremendous sum of $75 billion in new construction and new equipment during the years since the war ended.

As a result, the vast American industrial plant is the most modern and best equipped in the world. It is at the height of its efficiency, ready to make full use of the wealth of new materials and new methods which wartime discoveries and developments have made available to us.

In past decades we had the steamboat era, the railroad era, and the automobile era, but the era opening before us defies such pat classification. We might call it the plastics age or the synthetics age, but neither of these terms adequately defines the times in which we are living.

We might call it the Atomic Age, but, broad as is the scope of this term, it does not embrace all the marvelous new things in store for us.

In times, of challenge the people of this country have always shown themselves capable of bold, imaginative actions. We would not be living up to the tradition and character of our free enterprise system if we did not use our ingenuity and skills and raw materials with diligent energy to prolong our peacetime prosperity.

It may appear to you that I have overlooked one essential in describing the possibilities of new products in this country—namely, the purchasing power necessary to buy these many new products. Far from forgetting it, however, I want to emphasize that the pur-

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*Address by Secretary Snyder at the Annual Convention of the Colorado Bankers' Association, Glenwood Springs, Colo., June 24, 1949.

Construction in 1949—Still Favorable

By HERMAN B. BYER*

Asst. Commissioner, Bureau of Labor Statistics, U. S. Department of Labor

After reviewing and analyzing recent trends in different fields of construction, Mr. Byer sees encouraging factors in both industrial and commercial building. Holds though wage rates are maintained, and in some cases increased, labor supply is ample and materials prices are declining. Says home builder's chief object now is to produce lower cost houses since two important trends are evident: *viz:* growing buyer's resistance and declining real estate prices.

The continuing interest of the American Legion in construction trends as an important economic indicator, speaks well for our organization's thoughtfulness in meeting the needs of its membership. Construction is an excellent weather-vane for detecting shifts in business activity, for it slumps earlier than other industries during major downturns. On the other hand, if construction is active you can be very certain that the economy as a whole is healthy.

Herman B. Byer

We are now in a transitional period. The unusual postwar boom appears to be over. There has been considerable speculation about whether business is merely stabilizing or is faltering dangerously, in view of recent employment and price declines from the record levels reached last year. What does construction show?

Construction Volume

Expenditures for new construction soared to $18\frac{3}{4}$ billion in 1948, almost $4\frac{1}{2}$ billion more than in 1947, the previous peak, and considerably above outlays in any other year. So far in 1949 construction activity has actually surpassed last year's volume by about 4%, in spite of declines in private residential and industrial and commercial building. The fact is that there has been a noticeable shift in the pattern of activity from 1948. Substantial gains are occurring in long-deferred private and public institutional building, such as schools, hospitals, and churches; in such public work as road building and irrigation and flood control projects; and in construction by private utilities.

About $350 million more was spent for building exclusive of business and home construction in the first four months of 1949, than in the same period of 1948, and about $112 million more for public utility work, chiefly light and power facilities. There was a $100 million gain divided about equally between highway work and reclamation and flood control projects.

Largely because of important public construction under way in your region, and expansion in facilities for private utility companies, the West North Central States showed an 11% increase in total expenditures for new work during the first quarter of this year compared with last, as against a national gain of 6% between the two quarters. About $305 million was spent for new construction in the West North Central region through March of this year, compared with around $275 million last year for the same months. There was a dramatic increase in public building activity on the State and local level, showing that the urgent need for new schools and other public institutional buildings was at last being recognized.

But, in addition, Federal works have been playing an important part in the construction activity of your States. There has, in fact, been a steady climb since 1943 in the proportion of Federal contract money awarded in the West North Central region, from 4% in 1943 to 15% in 1948, and 19% in the first quarter of this year.

Among the most important Federal buildings under way in your States are two 500 bed, $10 million veterans' hospitals, one in Omaha, and the other in Little Rock. Federal expenditures have been heaviest, however, for highway work under Federal Aid programs, and for irrigation and flood control projects under the Missouri Basin development plan. The dams and subsidiary works currently under contract in the Missouri Valley include the Cedar Bluff project near Ellis, Kansas, the vast Garrison and Fort Randall Dams in the Dakotas, and the Harlano County Dam in Nebraska. The Dakota projects, as you know, involve construction of entire town sites. They will eventually call for many related private and public projects involved in maintenance and operation of the facilities, and in accommodating the private firms that will be attracted by plentiful water and power, and an expanding agriculture.

Indications are that expenditures for public construction will remain at peak peacetime levels in 1949, reaching $5 billion for the year compared with $4.2 billion in 1948 and $3.1 billion in 1947. Furthermore, a recent survey conducted by the Department of Commerce would support a previous Commerce and Bureau of Labor Statistics forecast that construction outlays this year by private utility companies will probably exceed the all-time high of $3\frac{1}{4}$ billion in 1948. Private institutional building shows no signs of slackening.

Building by Business

But what of the segments of construction that are off from 1948 levels — building by American business and housing? I intend to discuss housing in detail in a minute or two. We'll look at industrial and commercial building first.

Money spent for industrial plant has been declining almost steadily since the fall of 1946 and there has been some faltering this year in commercial building. The latter reached boom proportions last year, and the former was an all-time record during 1947, with 1948 outlays about a fifth lower. There is ample evidence, however, that the recent downturns will not become precipitous, and, in fact, that building by business will be sustained at comparatively high levels this year.

A recent government inquiry concerning outlays by non-agricultural business for new plant and equipment revealed that business expects to invest only about 5% less in producers' capital in 1949 than in 1948, with most of this decline occurring in the latter half of the year. Results of the survey were said to be conservative by the Office of Business Economics and the Securities and Exchange Commission making it, because investment programs were reported as of mid-February, right after the sharp break in commodity prices.

For both industrial and commercial building there are some other encouraging facts. Among them are the following:

(1) The backlog of consumer and of business demand is still large.

(2) While consumers' income has been lagging this year, it is still at record levels compared with all periods other than the latter part of 1948.

(3) The rate of private investment in 1948 was not high in relation to the gross national product.

(4) The level of retail sales changed little during February and March from the point to which they had dropped in January, illustrating to some extent the effectiveness of lower prices as an inducement to buy.

(5) Declining building materials prices, far from being a cause for alarm, should attract investment, because it means lower costs, firm bids, and elimination of contingency fees.

Housing

The homebuilding picture is somewhat more perplexing. This year's volume has been disappointingly below expectations and well below last year's performance. The Bureau of Labor Statistics' estimate of 244,000 new nonfarm dwelling units put under construction during the first four months of 1949 is 35,500 or 13% under the corresponding period of 1948. This situation has been quite general over all parts of the country, except that I might add parenthetically that your active Kansas City Real Estate Board here has estimated a somewhat higher home completions rate in this immediate area during the first quarter of this year than for the same period in 1948.

Added to the drop in homebuilding nationally this year is the fact that the proportion of rental type units provided, now about 18% of the total, is still far from meeting the need for this kind of housing. Furthermore, the kinds of housing started during the past several months have been averaging between $7,375 to $7,775 per unit for the construction cost alone, exclusive of land and selling costs and builder's overhead and profit. Since costs in general have been declining lately, this means that the proportion of expensive houses and apartments being undertaken is still quite high.

But for housing, too, there are some important bright spots. There was a sharp rise in starts between March and April, from 62,000 to 86,000 units, providing the hopeful sign of a normal spring upsurge. FHA field offices reported in March that they were swamped with applications for mortgage insurance. Many offices said it was the largest volume ever handled. It is likely that the FHA requests will show up as housing starts during the next few months. If a volume of at least 86,000 new units per month can be maintained through the spring and summer, the total for the year might not fall far short of the Bureau's original forecast of 875,000. This is a very high volume. It is exceeded only by the achievement last year and by the performance during the height of the historic boom in 1924 and 1925.

Another hopeful sign is that applications for Title VI Section 608 loan insurance for apartment construction have been at record levels this year. It is likely then that the number of rental type units will climb during the next few months and may soon make noticeable inroads into the backlog of need. The cities, of course, are the places requiring rental housing the most and where, in fact, most apartment units are built. In the cities of the 7 States in the West North Central region it is encouraging that 25% of the units for which permits were issued during the first quarter of this year were for apartments as against 18% in the first quarter of last year and 13% during 1948 as a whole.

What of the high prices of available new housing? Two important trends are evident that will exert downward pressure. First, buyers' resistance has risen considerably during the past several months. While the market for low and moderate-priced homes and apartments is still high, there has been a slump in the high-priced field. People are shopping around more and taking their time in deciding on home purchases. They want more for their money. This appears to have strengthened the resolve of builders to turn out a better house at a lower price. This year's convention of home builders was directed seriously toward meeting this issue, and more and more of the literature published by and for builders includes examples of successful ventures into low and moderate-priced housing.

The builders are assisted in their project by trend number 2, declining prices, perhaps the most hopeful sign of all. Wholesale prices of building materials have been dropping almost steadily from the all-time high reached last September. What is more, while no major break is expected, indications are that further substantial cuts will probably take place in all of the major commodity groups, except cement, by the end of the year. Very important for homebuilding has been the 25-point drop in the index for lumber since its peak of last August, from 319.5% of the 1926 average to 294.7% this March.

The spring flurry in negotiations for new union contracts among the building trades has shown that while many locals are getting wage increases, present scales have been renewed without change in a few significant instances. On the whole the adjustments made this year have been smaller than those made last year. Among the important groups accepting present scales for another year were all the major trades in St. Louis.

The rise in building workers' wages will be offset largely by the substantial gains that have been occurring in productivity. Allied with this in bolstering efficiency and economy is better materials supply than previously and the promise of ample materials and increasing variety in the coming year. What is more, there is no shortage of labor. Current employment by construction contractors stands at nearly 2 million workers, more than last year at the same time, and the number of registered apprentices in the building trades has been climbing steadily.

You can see, then, why I believe that builders can go a long way in the coming year toward providing the amount and kind of housing we need. You can see also why I believe that the construction weather-vane is pointing to favorable economic climate in 1949.

*An address by Mr. Byer before the American Legion Area Conference, Kansas City, Mo., May 24, 1949.

Arthur Bunker Heads Climax Molybdenum

Arthur H. Bunker has been elected President of Climax Molybdenum Co., to succeed Arthur D. Storke, who has resigned. He will take office on July 1, 1949. Mr. Bunker, a general partner of Lehman Brothers, resigns his position as of June 30, 1949.

Arthur H. Bunker

Mr. Bunker, who before the war was Executive Vice-President of Lehman corporation, was the founder and first President of the U. S. Vanadium Corporation. This organization was founded in 1923 and became a part of Union Carbide and Carbon Co. in 1927. He also was one of those active in founding of the Potash Corporation of America. His business career included the Presidency of the Carib Syndicate, Ltd., and the Colon Oil Corp. He has also been a director of the Anglo-Huronian, Ltd.

At the present time Mr. Bunker is a director of The American Metal Co., Ltd., the Firth Sterling Steel & Carbide Corp., and the Climax Molybdenum Co.

Mr. Bunker was identified with the Office of Production Management and the War Production Board from 1941 until 1945, during which period the United States was fighting World War II. On the occasion of the organization of the Metals and Minerals Office in 1943, Mr. Bunker became its Vice-Chairman. Later he became Deputy Executive Vice-Chairman of the War Production Board, and finally its Chief of Staff.

Issue of Permissive Incorporation Again Considered by NYSE

Board of Governors said to have proposal, which was defeated in November, 1947, again under consideration.

The proposal to permit member firms of the New York Stock Exchange to incorporate, and to admit to membership incorporated securities dealers, is reported again to be under consideration by the organization's board of governors. A vote of exchange members on the proposition was taken in November, 1947 and was defeated by a vote of 835 against to 344 in favor.

The renewed interest in the proposal has been stimulated by the current nation-wide advertising campaign of the New York Stock Exchange. This advertising stresses the income-producing attributes of common stocks and the advantages of doing business with exchange member firms.

Mason Starring, Jr. to Be Allyn Partner

Mason B. Starring, Jr. will be admitted to partnership in A. C. Allyn & Co., members of the New York Stock Exchange, on July 1, and will make his headquarters at the firm's New York office, 40 Wall Street. Mr. Starring was formerly a partner in Graham, Parsons & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

Truly, we are living in times too wondrous to behold. For one thing, it seems that we have in our midst a group of people known as scientists so differently constructed from the rest of us that they must be considered a people apart. Whatever the cost, whatever the risk, they must never be diverted from their preoccupation with making this a better and more complicated world to live in. If one of them driving a car happens to run over and kill a man, he shouldn't be questioned by a policeman lest some great idea he is entertaining may be lost to mankind forever. Certainly no scientist should be asked about his Communist affiliations or denied the benefits of subsidies for research because of his Communist sympathies because he is so delicately constructed that the slightest distraction may make him break all to pieces.


Carlisle Bargeron

Up until a few years ago he was a pretty hardy creature, experienced in the hard knocks of life as the rest of us. In fact, until the atomic bomb and competent propagandists gave them a preferred class of citizenship, it was not uncommon at all to see the starry-eyed fellows with patches in their pants and badly in need of a hair cut. But in the bat of an eyelash they have come to hold our destiny in the palm of their hands, or so we are told, and it must be a national endeavor to keep the noise of the children away from them.

Many years ago I lived at a small town boarding house. The husband of the landlady was a good-for-nothing who wanted to spend his time sunning on the porch. Throughout the day, we boarders could hear the shrill voice of the wife calling to ask what he was doing.

"Please don't disturb me just now," he would reply, "I'm thinking."

"Well, just think yourself right upstairs to Mr. Smith's room and fix his bed springs," the wife would order.

I have thought a lot in the past three or four years that this fellow was very probably an abstract scientist trying to come upon an idea that would have revolutionized the world. I have little doubt that today he would be taken over by the government and supported in grand style to just sit around and think.

But having come to accept the tensile physiology of the scientists, to accept, in fact as scientists, the juvenile delinquents just getting out of school, it is unreasonable now that we be asked to shed tears over the FBI.

There is an organization of courageous young men, wise in the ways of the world, that has met and bested the country's outstanding gangsters; an organization that throws fear into the most dangerous spies, the nemesis of the evil-doer everywhere. Its praises have been sung on screen, in books and song, the Gibraltar against which crime cannot pass.

But now bursting forth upon us is a torrent of propaganda to the effect that until it recovers its face it will never be the same FBI again. Its far flung net in which it entrapped enemies of the country from within and without has been torn into gaping holes.

How did this all come about? Well, the Department of Justice was prosecuting one of its young women on charges she sought to give confidential data to a Russian agent. The data from FBI files were found in her possession when she was arrested. Her attorney demanded that the FBI reports from which it was taken be introduced in evidence.

We are told there was a great to-do in the FBI and the Justice Department over whether the case shouldn't be dropped rather than introduce these files. The national security was at stake, it was contended.

But the files were introduced and the screams of anguish from those whose names were mentioned could be heard all around the country. Old "Doc" Condon, head of the Bureau of Mines, was the loudest. The Doc screamed so loud and so indignantly, demanding an apology, that instead, of getting one, he was directed to write one to J. Edgar Hoover.

The Doc has been going around the country making speeches about what an outrage to decency the House un-American Activities Committee is. Yet there has been a standing invitation from the committee for a long time for the Doc to come back and tell about the injustice that has been done him. There has been quite a fight within the committee as to whether he shouldn't be forced to come back. Anyway, he can reappear if he wants to.

Frankly, my reaction to the reports introduced in the court trial was that the FBI must feel right silly, having such stuff as that agent T-5 had reported Joe Doakes moved around his house without a bathrobe; Informant Q reported something even sillier. But I was not surprised because I have known for a long time that the FBI collected and kept just such information as this.

But the propaganda apologia now being made for the organization, that the lives of its agents and informants have been endangered, that its sources have been cut off, is sheer bunk. I am convinced this claim is being made to detract attention from the silly trivia which the FBI collects and saves. It is contended this has to be done, as one little piece of gossip picked up here pieced together with another little piece picked up later, leads to the apprehension of a criminal.

I am no critic of the organization or its methods. But I am critical of the conditions into which we have permitted our country to be drawn that can justify this sort of sweeping espionage. It is a fact, too, I think, that the peculiar set-up of the FBI is what necessitates the gathering in of so many dossiers with so much silly content.

It has from the beginning been a one man show. The some 5,000 agents are young and solely FBI trained. They do not have the freedom of exercising individual judgment on the worth of the stuff they hear. Worthy and worthless it must all be sent to FBI headquarters for appraisal. This was Hoover's own idea. He has different ideas on investigation than those of other investigating agencies. He has been given a free rein to build up the FBI in his own image. And he seems to have won the esteem of the American people.

Agriculture and the Railroads

By A. L. M. WIGGINS*

Chairman, Board of Directors, Atlantic Coast Line and Louisville and Nashville Railroads

Holding the painful readjustment in the national economy now under way is a cooling off process, Mr. Wiggins contends railroads did not benefit from inflationary period and are now trying desperately to maintain their continued existence. Cites importance of efficient rail transportation to agriculture and points out importance of maintaining net revenues and adding to capital investment. Scores subsidies to competing forms of transportation.

This nation is now in the early stages of an economic readjustment that is seeking to find a balance between production and prices on the one hand and demand and consumption on the other. During the year 1948, the country reached the turning point in the long upward climb of national income, the peacetime dollar value of the production of goods and rising prices. We had reached a point where it was generally recognized that our economy was inflated.


A. L. M. Wiggins

During the long period of price rises, every segment of the economy used every possible political and economic device to secure for itself a higher proportionate advantage over the rest of the economy. Agriculture, which had for a long period of time occupied an unfavorable trading position with the rest of the economy, particularly with industrial prices, with its products selling below so-called parity, vastly improved its relative position. During that period, we witnessed leapfrog developments in which there were wage increases in industry that were designed to overcome the increased cost of living, price increases of industrial products to overcome the wage increases, and farm price increases to overcome industrial price increases, which in turn increased the cost of living. This is a simplification of the contest in our economy by every segment to secure a more advantageous relative trading position.

There were many other factors in the situation which added fuel to the fire of inflation, including a large increase in money supply as a result of deficit financing. The economic cause, however, was that there was greater demand than supply of goods and little opportunity for our economy to operate in a truly competitive manner.

Beginning more than two years ago, it was recognized that many of the dollar levels in the economy represented an unnatural and inflated condition that sooner or later would have to be adjusted and that the quicker this inflationary pressure could be cooled off, the less damage the adjustment would cause.

Cooling Off Process Under Way

This cooling-off process actually got under way toward the end of 1948, and since that time our economy has been and is in a state of adjustment, largely on the downward side. The natural laws of increasing supplies, the satisfaction of deferred demands and the filling of deficient inventories have resulted in a present less demand for goods and services, with the natural result of a cutting down of production, reduced traffic and lower prices.

During the war period and since, and to some extent before the war period, many artificial devices were set up by government which had as their objective aid to various segments of the economy. Among these were several devices that were designed to increase agricultural prices and stabilize them on a high level in order to furnish the incentive to the farmers to secure the maximum production of their products that were necessary in the prosecution of the war and in serving the needs of destitute people throughout the world since the war. Government encouraged the unionization of organized labor and assisted in bringing about higher wages, shorter hours and other benefits to the working man. In the financial field, government set up many programs of making or guaranteeing loans in order to insure increased housing and credit for war enterprises. Throughout all this period the government also embarked on numerous programs of social reform designed to improve the living standards and the security of the people at the lower economic level.

During all this period and longer, for 20 years, the Federal Government has paid out more than it has taken in with a resultant deficit in every fiscal year except two. This factor has been the most potent of any single one in inflating the money supply and in creating the abnormal condi-

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*An address by Mr. Wiggins before the Annual Conference of Extension Workers of South Carolina, Rock Hill, S. C., June 21, 1949.

Financial Agencies in Promoting Utility Investor Relations

By TOM P. WALKER*

Vice-President, Irving Trust Company, New York City

New York banker, commenting on changed relationship between investor and utility companies, arising largely from Federal legislation, states it has caused serious disturbances in normal flow of capital. Urges utilities cultivate active and intelligent cooperation with financial agencies in their investor relations program. Finds investment agencies' aid essential in getting statistics, facts and ideas to right people at right time. Warns life insurance companies may reduce purchases of senior bonds, while tax-free utility revenue bonds offer serious competition in financing. Holds security analyst has important place in aiding private investor's comprehension of values.

One of the profound marvels of nature's healing processes is that which builds by-pass channels around obstructions interfering with the normal flow of life. An important artery or nerve, which is denied its full function by some foreign influence, develops tender shoots which slowly but surely find free paths to build a new network so that life may be sustained. The Greeks have given us a many lettered word for this phenomenon. Surgeons have developed techniques to supplement these natural curative properties so that normal function may be restored before some more serious complication develops. A deft application of scalpel and suture re-establishes the connection between supply and demand, thus enabling the patient to recover more speedily.

Tom P. Walker

Our economic anatomy furnishes a striking parallel in the changing relationship now going on between the investor and the operating electric companies. During the past two decades, a series of circumstances, largely with Washington origin, have caused serious disturbances in the normal flow of capital from the producer to the user. Holding companies, the source of most of the capital required during the 1920s, when the industry had its first great period of expansion, are largely eliminated. The channel through which the investor furnished the funds has been broken. Now many operating companies, scattered throughout the land, compete with each other and with all other industry for the investor's favor.

Perhaps, even more important, the investor who once thought well of your company may no longer be able or willing to be your partner. Tax laws and limitations on security trading have set up actual and psychological barriers which have either taken many out of the investor class or driven them to other fields—notably tax free bonds.

Thus fundamental changes restrict established economic paths just as a wound interferes with blood circulation and nerve impulses. Until old contacts are reestablished or other new ones built, we shall find our financing problems increasingly difficult.

Management must in a sense turn surgeon. With a skillful hand, it must nurse and accelerate the slower natural readjustment processes. For the lack of intelligent guidance, the large immediate requirements of the industry might dictate the Federal Treasury as the most comfortable source of the funds needed. The treatment indicated is embraced in what we shall call "Investor Relations." Fortunately, it is not entirely a foreign field. The job is essentially one of getting along with a new group of people. Those that now guide so successfully customer and employee relations, should find no great difficulty with programs to make friends and influence people in the investor group. The surgeon to the economic anatomy will use the tools of the salesman rather than those usually found in the doctor's little black bag. It is a hard market he will invade. He will require lots of drive and ingenious merchandising methods. What we shall talk about today is some of the tools he may find valuable.

Investors may be grouped into two broad classes. First, the institutions and more or less professionals who buy in large quantities and only after much study and research; and second, the large group of smaller holders of stocks and bonds, many of whom are not so well informed on investment matters. The more glamorous part of any investor relations program revolves around the uninformed investor. Here conventional public relations principles for dealing with large groups apply directly. We could beguile ourselves for the full period with a discussion of stockholders' meetings, publicity, the annual report, information sent with dividend checks and proxy statements, and the thousand and one thoughtful considerations which, appealing to the individual, make a friend of the mass. The objectives are, of course, to cause your present security holder to retain your stock or bond when he is forced to sell something—to buy your shares when he has funds for investment—and to support you and your proposals. Rather than explore this facinating phase of investor relations, I have chosen to confine this paper to the more prosaic, but equally important, field of building better relations with investors through financial agencies.

The Various Investment Agencies

This will not be a discussion of only one financial community. While Wall Street encompasses most of the agencies we shall mention, in many cases their counterparts will be found within your service area. Cultivation of financial agencies may very well begin at home, but cannot end there. The presidents of your home town banks, your local investment banker, broker or security dealer, the insurance companies in your areas—all these invite cultivation. But investors must be sought throughout the land. It is necessary, therefore, to carry your story to the important financial centers of the nation—including Wall Street.

Suppose we consider first those agencies or professionals which buy securities directly, either for their own or their customers' purposes or for sale to others. These would include life, fire and casualty insurance companies, investment trusts, investment bankers, commercial banks and trust companies. A second group to be considered later will include agencies which act as advisors. These are the security analysts, rating agencies, advisory services and investment counselors. Both groups are highly informed on investment matters. Their fair appraisal of your situation depends on the facts and information available to them. The real task is to set up procedures to furnish pertinent statistics, facts and ideas at the exact points where they will do the most good. There are more than two thousand prosperous well-managed companies competing for the investor's favor. It is impossible, of course, for the investor, no matter how extensive his facilities, to find sufficient time to study and analyze all of these. For that reason, any given company may easily be ignored or forgotten if complete information is not freshly and forcefully presented through a continuing program.

During the past few years, the mounting assets of institutions have caused the investment of funds to become a chief concern. The trend toward saving through purchase of life insurance, savings bank deposits and pension funds has built up tremendous sums seeking investment opportunities. The handsome response of the large life insurance companies to the stepped-up needs of the utilities came about through a natural process of demand seeking a supply. Little planned cultivation was involved. Of the approximately $13 billion of public utility bonds outstanding at the end of 1948, about $8.6 billion, or two-thirds, were held by life insurance companies. Among the various utilities, electric companies rank first, with telephone and natural gas securities only slightly less in their favor.

Life insurance companies are strictly limited by law in the amounts of preferred and common stocks they may hold. Furthermore, stocks do not fit well into life insurance investment programs. Values must be adjusted on company books to their market prices rather than the more stable amortized cost permitted for securities with fixed maturities. Also, common stocks do not provide the regular income required by actuarial contracts. As a result, life insurance companies must be considered primarily as outlets for bonds and debentures. They still seem to have an abundance of such funds for all who will pay the price in interest rate and mortgage protection.

While at the moment there is no problem placing senior securities, too much complacency could develop a false sense of security. Insurance company leaders point out the gradual increase in the debt ratio of some companies, and the small increase in net income as compared to that of many industrial companies. Should such sentiments grow, the bloom could easily fade from the present good feeling the utility industry enjoys.

Insurance companies are not a little concerned over the growing attitude in Washington that they already own too many utility securities. You may have noticed recently that a congressman appeared at a commission hearing protesting against a negotiated sale of utility debentures to a

(Continued on page 28)

*An address by Mr. Walker before the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1949.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces that the bowling season will open Sept. 8 and run through May 25, 1950. Alleys have been reserved from 5:30 p.m. to 8 p.m. at the City Hall Bowling Center. All members interested in bowling may notify one of the following members of the bowling committee:

Herman D. Meyers, Stern & Co., Chairman; "Duke" Hunter, Hunter & Co.; Bill Kumm, Dunne & Co.; Arthur Burian, Strauss Bros., Inc.; George Leone, Frank C. Masterson & Co.; Hank Serlen, Josephthal & Co.; Rick Goodman, Cohu & Co., and Tom Greenberg, C. E. Unterberg & Co.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canada — Monthly commercial letter — The Canadian Bank of Commerce, Toronto, Ont., Canada.

Financial Analysis of Thirty Oil Companies for 1948 — Joseph E. Pogue and Frederick G. Coqueron —The Chase National Bank, Pine Street corner of Nassua, New York 15, N. Y.

Over-the-Counter Industrial Stock Index — Booklet recording 10-year performance of 35 industrial stocks—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pharmaceutical Industry—Analysis of investment opportunities—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Potash—Circular on the industry in the U. S.—Lee Higginson Corp., 40 Wall Street, New York 5, N. Y.

* * *

Arkansas Natural Gas Corp. — Memorandum — Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

Broadway & 41st St. Corp. — Circular—Amott, Baker & Co., 150 Broadway, New York 7, N. Y.—Also available are circulars on **Hotels Statler** and **Knott Corp.**

Budd Company—Some unusual and hitherto unpublished information in the current issue of "Investor's Reader"—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Central Illinois Public Service —Circular—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Central Soya Company—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Colombia-Bolivia—New study—Zippin & Company, 208 South La Salle Street, Chicago 4, Ill.

Food Fair Stores, Inc.—Analysis —Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Hoffman Radio Corp.—Circular —Cohu & Co., 1 Wall Street, New York 5, N. Y.

Mountain Fuel Supply — New analysis—Edward L. Burton & Company, 160 South Main Street, Salt Lake City 1, Utah

National Dairy Products Corp. —Circular—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Also available is a circular on **Southern Natural Gas.**

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 8, N. Y.

Oregon Portland Cement—Late data—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Pabst Brewing Co.—Circular—Loewi & Co., 225 East Mason St., Milwaukee 2, Wis.

Seattle Gas Co.—Circular—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Texas Gas Transmission Co.—Circular—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex.

COMING EVENTS

In Investment Field

July 1, 1949 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Summer Outing at the Whitemarsh Valley Country Club.

July 8, 1949 (Louisville, Ky.)
Bond Club of Louisville Annual Outing at the Sleepy Hollow Club.

July 27, 1949 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Mid-Summer Picnic at Mill Grove, North Park.

Sept. 9-11, 1949 (Oregon)
Pacific Northwest Group of the Investment Bankers Association 1949 meeting at the Gearhart Hotel, Gearhart, Oregon.

Sept. 9, 1949 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Fall Outing at Chartiers Country Club.

Oct. 5-9, 1949 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at The Broadmoor Hotel.

Dec. 4-9, 1949 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel

Dec. 9, 1949 (New York City)
New York Security Dealers Association 24th Annual Dinner at the Hotel Pierre Grand Ballroom.

Question of Sterling Devaluation

By SIR ARTHUR GUINNESS, K.C.M.G.*
Retiring President, The International Chamber of Commerce

Prominent British industrialist expresses opposition to Sterling devaluation on grounds: (1) it would lead to devaluation throughout whole Sterling Area; (2) it would increase cost of British imports; and (3) it is no longer essential, since Pound is actually undervalued on purchasing power parity. Proposes Marshall Plan nations agree to immediately limit tariffs and other trade hindrances through general agreement. Sees ultimate aim of free convertibility of currencies throughout world. Extols free enterprise.

There have been many suggestions that sterling should be devalued at an early date and reestablished on a new basis. Personally, I feel that this advice is very unwise, and I will give you my reasons. Sterling is not an ordinary currency, but a key currency, covering the whole sterling area, a vast trading territory. Therefore, the advocates of devaluation not only suggest the devaluation of the pound as the currency of Great Britain, but also the pound as it relates to the whole sterling area. It is therefore a much wider operation than the devaluation of some currency which only affects one country. At the present moment, we are clearly in a very uncertain period. It is apparent that we are in a phase of transition from the "seller's" market to the "buyer's" market. Many raw commodities are declining in value from the heights they reached during the war and the immediate postwar period. The effects of this are to make food and raw materials cheaper for the importing countries and for industry. We do not know how far this decline in price will go and its consequent effect on the price of finished articles. It is very difficult at the moment to get a clear index of price levels of finished goods in the different countries, so that it is not practical yet to reach a conclusion as to the real purchasing power parity of the pound compared with other currencies. So far as Britain herself is concerned, about 40% of her purchases of food and raw materials are based on dollar values. She buys direct 25% of all her imports from the U. S. A. and Canada, and the other 15% consists of raw materials which are based on dollar prices, for instance, cotton. If we are to devalue the pound today, we shall definitely increase the cost to Britain of this 40% of her imports, and it is by no means clear that we shall compensate the position by an increased flow of exports, owing to the turning of the "seller's" market.

Sir Arthur Guinness

You will remember that at the moment it has been officially stated that Great Britain is approximately balanced on its overall account in its trade with the whole world. Of course, like everyone else, she is faced with a dollar shortage, but the fact that we are already in a state of general balance with the world shows that there is little cause at the moment for devaluation. In many countries of the world sterling is a hard currency. This applies to 15 out of the 18 Marshall aid countries in Europe and you will have noticed that South Africa is now cutting her imports severely. Furthermore, on my visit to South America last March I found a tendency there for these currencies, which had been hard against sterling, to soften considerably.

There are serious people in London who feel that the pound is actually under-valued on a purchasing power parity. My own view is that, on account of the very uncertain position which exists in both the question of the "seller's" market and the fall of commodity prices and terms of trade, the path of wisdom is to leave well alone. The devaluation of any currency is a matter of great importance to every part of the community, and of course still more important in the case of the pound, on account of its international position. It may be in due course necessary to revalue many currencies, but it is an operation where hasty decisions are fraught with the greatest danger which, if carried out, should be carried out once and for all, and we must be certain of its effects beforehand. In the inter-war period, considerable economic difficulties were created by the stabilization of the French franc at too cheap a price. We often seek to hasten matters, but the debris left by the greatest World War in history takes a long time to clear. In 1947, in accordance with the terms of the American Loan, an effort was made to make the pound convertible. This date—only two years after the finish of the World War—was far too early for the experiment, and indeed the experience of 1947 has postponed the date at which we could definitely stabilize the pound and revert to convertible currencies throughout the world. For international trade to prosper, we must in due course return to stabilized, convertible currencies. Without convertibility of currency we cannot expand world trade, which is so necessary for the world's prosperity, but it is a matter where we must "hasten slowly" as any false step can only bring disaster in its train. Remember that when we stabilize currencies definitely and get back to the convertibility of currencies, it is essential that we should do so at rates which will hold economically. This means that governments must put their houses in order, balance their budgets and reduce expenditure to create stability and restore confidence without which stability of currency cannot be reached. Any exploitation of devaluation is very dangerous, as we have seen over the last 30 years.

Sound money is a psychological question. It is necessary, particularly if we are to have convertibility that the peoples of the world should have confidence in the rates which are being established, for it is fundamentally a question of credit. You will remember that in the International Chamber's reports on Germany, we insisted strongly on the value of sound currency in helping to restore confidence and trade, and it is really quite extraordinary how the currency reform in Germany stimulated trade overnight.

Two years ago at the Montreux Congress, the International Chamber's Monetary Report stressed the importance of financial orthodoxy, the curtailment of government expenditure, and the balancing of budgets. Press comment at the time was that Montreux had produced a good deal of the old stuff. However, when the countries participating in Marshall aid met at the Conference last December, the governments, for the first time, laid stress on the importance of the very factors which the International Chamber had stressed 18 months previously.

Marshall Plan Aid

My second point deals with the problem of Marshall aid. It is now just two years since Secretary of State Marshall made his historic speech at Harvard. It was reported in the press in Switzerland on the morning of the last day of our Montreux Congress. The suggestions Mr. Marshall made at Harvard were of the greatest importance to mankind and showed great economic statesmanship of a kind never previously known in the world. What he in effect said to the nations of Europe was—if you will put forward a program to rehabilitate your economies so that you may become viable; that is, good solvent communities paying your own way in a competitive world — we of the United States will help you by providing the necessary funds over a five-year period. It is now two years since this historic proposal and in the meanwhile great progress has been made. First a Conference was called in Paris of the 18 countries interested and a general plan was worked out. Then individual countries worked out their separate plans. These then had again to be coordinated into a cohesive plan as of course many of these different national plans were inconsistent one with the other and many different points of view had to be reconciled. Congress then voted some $5 billion for the first year and, despite the prophecies of the pessimists, an agreement was made by the European countries themselves as to how these funds should be divided. Over the last two years great changes have taken place, largely due to American aid and also in no small part to the work of industry, commerce and labor in the individual countries and there has been a large betterment in European economic conditions. The Marshall Plan gave the peoples of Europe hope for a better economic future and so they turned their eyes away from the disastrous doctrines of Communism to work out their salvation along the known proved lines and a free enterprise economy. Just a year ago, a plan was worked out to aid intra-European payments so as to expand intra-European trade between different countries benefiting from Marshall aid. This plan has certainly made a start, but there is still much to be done. As you know, the basic idea is that European countries should be able to stand on their own feet by the year 1953. We have, thus, about three and a half years still to go. Now, while progress has been made, if we are to achieve the full benefits of the Marshall aid, there is little time to lose in working out a broader conception than at present envisaged. It is no doubt true that unless we can put forward plans for a closer integration of the European economy, there may even be difficulties in getting U. S. Congress to vote the necessary money for the remaining period. I do not know if the people of Europe really understand that to provide this money requires the raising of U. S. taxes. The matter was brought home very forcibly to me the other day in London by a remark of an American lady when I took leave of her and her husband to go to a dinner being given that evening for Mr. Tom Finletter, the European Cooperation Administration representative in London. She answered, "Oh, Mr. Guinness, I hope you are not going to ask for any more money. You know our taxes are very heavy already."

There are many in the United States who advocate a political union in Europe. Personally I believe there are very great difficulties behind this conception. What I do believe is, that while Marshall aid is running, it should be possible to do a great deal to coordinate the economies of the different countries in Europe and so increase production and increase the flow of trade between European countries and, thus, with a larger production lower prices so that by 1953 Europe will be well on the way to viability, which means, able to pay her own way in a very competitive world.

The last time that Europe had a real free flow of trade between its various countries was in the decade from 1860 to 1870. This was brought about by the trade treaty between England and France negotiated by Cobden and the Emperor Napoleon 3rd. The original model treaty of 1860 did much to loosen up the barriers of trade between France and England and it was followed up by a series of multilateral treaties between a large number of European countries and France. The result of these treaties was an immense increase of intra-European trade. The actual turnover in a very few years was increased several times. Unfortunately, the Franco-Prussian War came in 1870 and, as wars always do, upset the equilibrium and Europe again lapsed into a period of higher tariffs and shrinking of trade.

European Trade Agreements Proposal

In order really to open up trade, the proposals I have to make are the following: That the 18 countries participating in Marshall aid should at once negotiate trade agreements on a multilateral basis limiting their tariffs to a height of 15% between each country. At the same time, they should bind, that is, agree not to raise any tariffs which today are below 15% in height. At the same time all

(Continued on page 36)

*Part of an address by Sir Arthur Guinness at the opening dinner given by the Canadian Government to the delegates attending the 12th Congress of the International Chamber of Commerce, Quebec, Can., June 13, 1949.

Mutual Funds

By HENRY HUNT

Owning Common Stocks vs. Cash

Some people consider the purchase of common stocks a bit risky. "The cash is good enough for our money," they say. "We want to be safe. We don't want to assume any risk."

There is no such thing as a riskless holding. Even when you keep your money in cash you are speculating, not on the safety of your dollars, but on the purchasing power of those dollars when you need them to spend

What Is a Dollar Bill?

A dollar bill is nothing but a piece of engraved paper. Its value is measured only by what it can buy at any given time. During the past decade holders of cash have seen their dollars depreciate some 40% in value due to the shrinkage in their buying power, or, to put it another way, because of the increase in the cost of living.

On the other hand, during this same decade holders of well selected common stocks have not only received a return averaging more than 5% a year, but also the upward trend of their dividend income has kept pace with the advance in living costs. Moreover, the market value of sound common stocks has increased during this period.

The Cost of Living in 1959?

What about the next decade? If you believe that the cost of living will be considerably lower 10 years hence, continue to keep your money in cash. However, experience over a long period of years has shown that the trend of living costs in this country as well as in the rest of the world is upward. Barring depression periods, such as in 1921, 1932-4, etc., the holder of cash has had few chances to crow over the owner of sound American common stocks.

Here is the record of the **purchasing power** of dollars invested in sound common stocks vs. idle cash since before World War I.

	*Dollars Invested in Common Stocks	Idle Cash Dollars
1914	$100	$100
1949	$136	$42

*Dow-Jones Industrial Average—adjusted for cost of living index.

Dr. Lewis Haney, Professor of Economics at New York University, recently stated in his nationally syndicated column:

"Idle cash is bad. Cash at low interest is almost as bad. If you get only 2% on your money, you should figure that you are losing 2 to 3% on it.

"You should be prepared for a probable reduction in the purchasing power of dollars in the long run.

"We can't stand much more taxes. Under present conditions, we can't go back to the gold standard. So further inflation of the currency lies ahead, and probably a final devaluation of the dollar. Therefore, don't hold any more uninvested cash or its equivalent than you have to."

Stocks Appear Cheap Today

At current prices there is much to recommend the purchase of time-tested common stocks. Liberal income returns may be obtained today—returns previously available only in such bargain years as 1932 and 1942. Common stocks are selling at low prices in relation to current and prospective earnings. Finally, earnings have been covering dividend payments by an exceptionally wide margin. Thus, even with a moderate decline in earnings, few dividends would be in jeopardy.

Mutual Funds Provide Diversification

Most people don't have sufficient knowledge of security values to select their own common stocks wisely. Nor do they have sufficient capital to obtain the broad diversification of risk so essential to any long term investment program.

Thus the Mutual Fund, providing through a single purchase broad diversification together with permanent investment management, would appear to be the logical way for such Americans to purchase common stocks. In the present market, the Mutual Fund enables one to obtain a liberal dividend income and also offers protection against the dangers of possible further inflation over the years ahead.

No conservative person would recommend that all of anyone's dollars be invested in a Mutual Fund. Certainly a cash reserve should be retained for emergencies. But, for long-term **investment** the individual with surplus capital would be well advised to put at least part of his cash into one or more soundly managed Mutual Funds.—By **Henry Ward Abbot** (Copyright 1949).

Definition of Social Security:

Something the government gives to people too old to work that enables them to starve to death more slowly.

Diversification of Timing

"The declines in the over-all stock market have a bad effect on every salesman. But worst of all is the effect upon the salesman of the negative psychology, the 'bear' stories, of the prospects he visits with daily. These prospects are depressing if we let them be.

"Under current conditions some prospects and clients will say, 'Yes, I want to buy a Fund and build up a "Second Income."' Some other prospects and clients will say, 'I want to Accumulate Dollars, I want to continually put money into a Retirement Plan and have my dividends automatically reinvested.' At the same time they're saying, 'I'll get started on this program when the market is a little lower. Come around and see me in a few weeks.'

Diversification! Diversification of risk through spreading dollars over a number of industrial fields which means a large number of individual corporations. Now, if the prospect wants diversification of risk in 'items,' what about diversification of TIMING?

"Is the prospect trying to get the 'singleton' low purchase just before the market turns up? I don't know anyone who has been able to get those singleton lows; maybe the wise guys, but they usually miss out, and after the market advances 20 points it is sour grapes again so they don't buy then either.

"Consequently, how about recommending the prospect employ 1/3 of his total Dollars at present, 1/3 of his Dollars a few weeks hence, and 1/3 of his Dollars a few months hence. If this is done there will be Diversification of Timing as well as diversification in item risk."—**Written by Doug Porteous of Cohu & Co.**

Billions for Reinvestment

The following table shows U. S. Government Savings Bonds which mature within the next 10 years—indicating the amount of money to flow during this period into the hands of the public—billions of dollars which will be seeking profitable re-employment and therefore, says **Arthur Wiesenberger**, will be available for investment in Mutual Funds:

Issue	Amount*	Maturity
D	$ 544,000,000	1949
D	1,002,000,000	1950
D	437,000,000	1951
E	1,117,000,000	1951
E	4,030,000,000	1952
E	5,707,000,000	1953
E	6,474,000,000	1954
E	5,194,000,000	1955
E	2,696,000,000	1956
E	2,394,000,000	1957
E	3,412,000,000	1958
E	1,512,000,000	1959
Total	$35,024,000,000	

*Outstanding as of May 31, 1949.

The American Way

Doug Laird of **National Securities and Research Corp.** has an interesting approach to the problem of investing in his new no-prospectus folder:

"America is the greatest nation on earth with an almost unbelievably high standard of living. We got this way for a number of reasons, not the least of which is that we invested our savings in our businesses. The American system of free enterprise provides the incentive to make money by putting both ourselves and our money to work.

"Neither secure easy jobs nor unrisked savings have ever paid much and they don't today. Industrious, ambitious and capable men 'hire' both men and money to create and develop businesses which, if successful, pay large rewards to those who own them. Today, when savings on deposit are being paid from 1½% to 2%, those invested in many of our great American businesses are returning 4% to 6%, or more, in dividends to their shareholders.

"The problem has always been to reduce the risk of investing savings in business without forfeiting a fair income return or the opportunity for gradual growth of capital."

What The Putnam Trustees Think

"It is apparent to everyone that the postwar boom is over and that business and prices are in a period of downward readjustment.

"The fact that the tide has turned is not cause for undue alarm. In fact we ought to welcome evidence that the inflation, which at times threatened to engulf us, is subsiding.

"How deep the readjustment may cut, and how long it will run are questions that no one can answer with assurance. We continue to lean to the view that a major depression is unlikely and that the securities markets, which reached their high mark nearly three years ago, are already much further along in their readjustment than business. It is for these reasons that we are following a policy of

gradually putting a portion of the Fund's blacklog to more productive uses through the purchase of selected common stocks and higher yielding bonds and preferred stocks.

"Broadly speaking we believe that this a time for your Fund to be acquiring sound, income producing securities. It is certainly not a good time to take speculative chances. Neither is it well to lean too heavily on the past. These are changing times and we must be sure that today's investments will measure up to the future. Sound values, as represented by good management, a strong competitive trade position, and sound finances, are the things to emphasize today.

"In order to do a proper job as Trustees, there are times when we must lean consciously against the prevailing sentiment. It is hard to act cautiously when everyone is optimistic—to act courageously when those all around you are discouraged and pessimistic—but it is usually profitable. True conservatism does not consist in merely following the crowd."

Public Utility Securities

By OWEN ELY

Two Low-Priced Utilities Yielding 8%

At the present time there are a large number of utility stocks yielding 7% or over, many of which have been in the hands of the investing public only during the past year or two. Some of these represent relatively small companies, and in some cases the capital structure is on the weak side, barely conforming to minimum SEC requirements. Nevertheless, some of these issues may be worthy of careful study since current construction programs might mean sharply improved earnings over the next year or so, or other special factors may lend them special promise. Too much reliance should not be placed on the conventional yardsticks in appraising these issues, during the present period of rapid change.

South Carolina Electric & Gas was distributed to the public by General Public Utilities. It is currently selling on the Stock Exchange at 7½ and pays 60¢ to yield 8%. In the 12 months ended March 31 earnings were $1.29 per share compared with $1.04 in the previous period, a gain of 24%. The stock is quoted at less than six times earnings—one of the lowest ratios in the utility list.

The investing public seems distrustful of the current earnings, perhaps for two reasons: (1) past profits were erratic because of the company's policy of contracting to sell firm hydro power, which proved expensive during drought periods; and (2) a fairly high price was paid to acquire control of a neighboring company, South Carolina Power, purchased from Commonwealth & Southern in 1948. Both points can be answered together. The purchase of South Carolina Power gave the company substantial steam power supplementing its own hydro facilities, and the two naturally supplement each other. Industrial revenues are relatively low in relation to residential and commercial sales.

A recent offering of 310,000 shares of common stock at $7.625 per share (subscription price) has perhaps affected the recent market somewhat. Allowing for this increase in shares, earnings for the March period would have approximated $1.02. Also, there are outstanding some 77,000 shares of 5½% convertible preferred stock (par $50), convertible into common at about $7.14 per share. Conversion of this stock would increase the outstanding common shares by over one-third and reduce March earnings to around 85¢ a share. However, immediate conversion appears unlikely. Moreover, savings from the construction of an additional unit at Plant Hagood, etc., may be expected to increase share earnings over the coming year. The present dividend rate therefore seems reasonably secure, barring a drastic change in the outlook.

Interstate Power is also selling over-counter around 7½, and pays 60¢ to yield 8%, the same as South Carolina. The stock has also labored under various handicaps, principally the fact that it was over-capitalized until last year, and operated at a deficit in 1940-41. In March 1948 the company sold $20 million of mortgage bonds, $5 million debentures and 555,000 common shares to raise funds to retire the old mortgage bonds and bank loans, as well as for construction needs; in October an additional $5 million bonds were sold. Some 945,000 common shares were escrowed for the benefit of all the old debentures and preferred stocks, together with a demand note held by Ogden Corp. The SEC recently issued its findings regarding a distribution of this stock, which decision will have to be ratified by a Federal court.

In the 12 months ended March 31, earnings were $1.23 a share on 1,500,000 shares making the price-earnings ratio about 6. Harold Young of Eastman, Dillon & Company, who recently spent several days in the company's territory, writes as follows: "Generally speaking, the territory is built up around agriculture and most of the farming country which the company serves is very prosperous. . . . The consensus of opinion seems to be that farm income could decline and the farmers would still be in a much more prosperous condition than they were some years back. Furthermore, the use of electricity on the farm has become an integral part of the farm operations in such every-day operations as water pumping, milking and feed grinding as well as for lighting and household usage.

"The company's revenues from industrial business, represents only about 14% of gross as against a national average figure of around 29%. . . . Furthermore, many of the industries are tied in with the processing of agricultural products so that the volume of their business should hold up reasonably well. . . . Another large industry in their area is one of the biggest cellophane plants of E. I. du Pont & Co. All things considered, we would feel that this company's business would stand up relatively well in any period of business recession. . . .

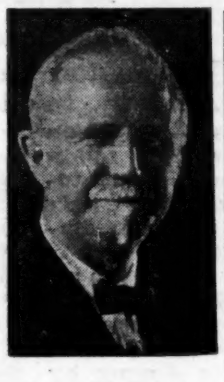
"A rate increase in the electric department is going into effect this month. The increase was approved by the Wisconsin Public Service Commission for the properties in that state. In Iowa and Minnesota regulation is in the hands of individual communities and it is significant that out of some 250 communities involved only about four raised any question about the increase. . . . Two new plants have gone into operation in the last two or three years and a second unit in one of the plants is scheduled to go into operation late this year. Another new plant is scheduled to go into operation next year. . . . We gained a very favorable impression of the caliber of the management and operating personnel and we feel that this company is one which is definitely on the upward trend."

Thoughts on Stocks

By ROGER W. BABSON

Mr. Babson, though making no recommendations regarding stocks, compares present stock market situation with past recessions, and points out limitations of such comparisons. Gives list of certain stocks that have recently dropped over 80%, which constitute fairly good businessman's risk.

I am making no recommendations in this column this week, but my thoughts are something which readers can seriously consider. As there is no precedent for these thoughts each investor should decide the question for himself. I cannot take the responsibility on such an important decision.



Roger W. Babson

It has been a truism of the stock market from time immemorial that "stocks all go up and down together—the good ones and the bad ones." This means that operating 'selective markets" has not been a very safe procedure during the past. One is justified in buying for income only, without paying any attention to price changes; but if prices are to be considered, then you can usually make a profit by buying anything blindly in a bull market or be fairly sure of a loss by buying anything — including the gilt edge stocks—in a bear market.

When studying past history we should recognize that the market prior to 1933 was under no U. S. control. Leading up to 1929, for instance, most of the stocks in brokers' hands were held on a margin of from 10% to 20%. Then almost every elevator operator and stenographer of the Wall Street district had stocks on a 15% or less margin. Hence, when the crash came, it was natural for all stocks to fall because people had to sell their good stocks when trying to protect their poor stocks.

Conditions Today Are Different

During recent years margins of 75% have been required. Now margins of only 50% are required, but I am told that stocks today are either owned outright or held on a margin of about 70%. There has been very little buying since the margin requirement was reduced, as transactions have been largely for cash. Certainly, no elevator operators or stenographers now hold stocks on margin. This means that conditions are very different today. The $64 question is whether these changed conditions change the old rule: "stocks all go up and down together."

If these changed conditions should change this old rule it is possible that certain stocks have already reached their low point in this bear market. This would mean that instead of watching just the Dow-Jone Industrial Average, which has gone down from a high of 212 in 1946 to a present figure of around 165 and which could go very much lower, it might be well to watch individual stocks. Instead of all stocks hitting the bottom at about the same time, as they did in previous bear markets, different stocks **may** be hitting their bottoms at different times extending over a period of a year or more.

Market Comparisons

Cutting off the extreme peaks of 1929 and the extreme lows of 1932 which lasted only a few weeks and covered only comparatively a few transactions, stocks as a whole in the 1929-32 bear market went down about 80%. This means that, assuming an average of ten stocks early in 1929 was $100, this same list of stocks sold for $20 in 1932. Yet, the Dow-Jones Industrial Average of "Thirty Gilt-edged Stocks" has suffered very little since 1946 compared with what hapened to it in 1929-1932.

On the other hand, certain stocks which should be a fairly good businessman's risk have recently dropped over 80%. Any broker can make up a list of ten such stocks which sold at the equivalent average of 100% in 1946 that can now be purchased for less than 25%. I am making no recommendations; but believe that a reader who now buys the entire following list for cash, puts them away and forgets them, can some day average a handsome profit although some one or two may go bad. These are common stocks, listed on an Exchange here in New York City, and purchasable through your local bank or broker who will not like them.

Name of Company—	High 1937	High 1945-46	Recent Price
Le Tourneau (R. G.) Inc. (Machinery)	75	56	12
Collins & Aikman Corp. (Textiles)	63	63	14
Columbia Pictures Corp. (Movies)	40	36	10
Newport Industries, Inc. (Agriculture)	42	45	10
Pressed Steel Car Co. (R. R. Equipment)	32	30	5
Raytheon Mfg. Co. (Electronics)	--	30	5
Spiegel, Inc. (Dept. Stores)	29	40	7
Stokely-Van Camp, Inc. (Packers)	18	39	10
United Air Lines, Inc. (Aviation)	24	62	11
*Atlantic Coast Fisheries Co. (Fisheries)	13	16	2

*This last is one of my family's companies.

Wulff-Hansen Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Lloyd E. Rogers has joined the staff of Wulff-Hansen & Co., Russ Building.

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA MONICA, CALIF. — John A. Hanley has become affiliated with E. F. Hutton & Co., 1410 Second Street.

Canadian Securities

By WILLIAM J. McKAY

The Conservative supreme bid for electoral favor in the Province of Quebec has failed miserably. Despite the apparent backing of the dominant provincial political organization of Premier Duplessis, the French-Canadian voters ignored casual politics and seized the opportunity, the first since the election of the great Sir Wilfred Laurier, to choose a French-Canadian Prime Minister of Canada. By concentrating undue attention on Quebec there is little doubt also that Conservative leader George Drew alienated a certain section of expected Conservative support in his home province of Ontario. Thus the Liberal regime gained a landslide victory and will be in undisputed control of Canadian affairs for the next five years.

Now the Liberal administration will be relieved of the necessity to give heed only to political considerations and can proceed to deal constructively with the grave economic problems that have recently accumulated. Although the world-wide economic recession, and notably the critical British situation have so far had no visible repercussions on the Dominion economy, it is likely that their inevitable impact will ultimately come as a distinct shock. Failure to arrange a permanent trade treaty with this country along the lines of the wartime Hyde Park Agreement immediately after the war, or alternatively to join the Sterling bloc, now leaves the Dominion in its unsatisfactory floating position between the dollar and sterling trade areas.

While economic conditions were favorable as in the immediate past era of the sellers' market, Canada was admirably placed to take full advantage of the prevailing situation. With the present abrupt change in the economic atmosphere and Europe's dire exchange plight, the Dominion is faced with the problem of finding ready markets for its export surpluses. Offshore purchases from Canada under the E.C.A. program will now be replaced by direct exports from this country; Britain's ability to meet her obligations in connection with the U.K.-Canadian Wheat Agreement in U. S. dollars is now placed in doubt in view of the recent alarming decline in British exchange reserves; continuance of payment in U. S. dollars for other Canadian exports to Britain previously settled in this manner is likewise questionable.

On the other hand as a result of the cutback in production of nickel, lessened U. S. demand for Canadian aluminum and meat products, in addition to the sharp decline in the price-level of base-metals, lumber, work-pulp and paper, there is little doubt that the Canadian balance of trade with this country will shortly reflect these unfavorable developments. Consequently there is now a serious threat that the Dominion's exchange reserves will once more be subjected to serious pressure. In this event the Canadian authorities will be faced with the necessity of taking corrective action. In view of the current economic trend it will be difficult to solve the problem by increasing exports. On the other hand it will be politically unpalatable to resort once more to a policy of enforced restrictions on U. S. imports.

There still remains, however, a more obvious and practical solution—the classical expedient of currency devaluation, whereby exports are directly stimulated and imports effectively discouraged. In the case of Canada a premium imposed on imports would correspondingly encourage the development of the Dominion's vast wealth of unexploited natural resources. Corrective action of this kind should be taken in good time before the situation deteriorates to a point where confidence in the currency is seriously undermined, exchange reserves are unnecessarily depleted, and before intolerable pressure provokes the exercise of hasty judgment. An illustration of the results of stubborn refusal to recognize the wisdom of timely appreciation of stern economic realities is provided by the current British example.

In this case failure to anticipate the obvious economic trend, unwillingness to follow the normal course of postwar economic adjustments, and the deliberate choice of the alternative of retention of wartime controls and restrictions, have provoked a major crisis with world-wide repercussions.

During the week the external section of the bond market remained dull and inactive. The internals after an earlier recovery were finally subjected to renewed pressure. Free funds and the corporate-arbitrage rate likewise weakened, doubtlessly as a result of the influence of the deteriorating sterling situation. Stocks also displayed a rallying tendency in the earlier sessions led by a recovery in the base-metal issues with the Senior golds likewise meeting with investor demand. Finally in sympathy with the resumption of weakness in the New York market there was renewed selling pressure in most sections of the list with the golds continuing to display resistance to the general trend.

Beck, Sargeant to Be J. A. Hogle Partners

SALT LAKE CITY, UTAH — Richard Beck and William P. Sargeant will be admitted to partnership on July 7 in the firm of J. A. Hogle & Co., 132 South Main Street, members of the New York Stock Exchange and other leading exchanges. Both have been associated with the firm for many years.

Socialism Is Cooked Up for Us— Unless We Do Something About It!

By ARCH N. BOOTH*

General Manager, U. S. Chamber of Commerce

Referring to President Truman's messages and reports of his Council of Economic Advisers as indicating drift toward socialism, U. S. Chamber of Commerce manager says welfare-state idea of many government officials is working up a great calamity for nation. Points out social security is already over-extended and scores socialized medicine, farm subsidy program, and other Administration measures. As antidote, urges more understanding of our economy and lively participation in politics.

My assignment on this program is to tell you briefly about what is happening in Washington these days—and to try to speculate on the effect of these events on life in America. In addition to trying to live up to my assignment, I am also going to try to suggest what you and I might do about today's trends and developments.

Arch N. Booth

Perhaps I could set the stage for what I want to discuss by telling you something I saw not long ago that impressed me and set me to thinking. I happened to visit the National Museum in Washington one day recently and discovered there, among other things, an amazing collection of bones — the skeletal remains of prehistorical animals. Scientists have dug these bones out of the earth, painstakingly pieced them together and have reconstructed the frameworks of gigantic animals that roamed the swamps and jungles of the world millions of years ago. The various species have been given some jaw-breaking names, of which perhaps the simplest is the dinosaur. The dinosaur—at least, the one whose skeleton I looked over—had been an enormous creature. Biologically, he and his kind had had mass production down pat.

But where is the poor dinosaur now?

He is just bunch of dry bones riveted together in a museum. He is an experiment that nature tried, and eventually had to abandon. The dinosaur weighed about 35 tons—a big chunk of life in one package. His difficulty was that he carried practically all of his tremendous bulk below his ears. This led to his downfall.

The dinosaur perished from the earth because his size far outran his brain power. He perished because he lacked the intelligence to adapt himself to changing times—and, it goes without saying, that he **lacked the capacity to direct the changes in any way** to his own good.

The parallel between the dinosaur's world and ours is not perfect. But it is sufficiently accurate to cause us to do some soul-searching about our own situation here in 1949—and about our willingness to face this situation.

It is intriguing to wonder what kind of fix we may be in here in America, say, 10 years from now, if the present unprecedented, sharp changes in our government are allowed to run their course unhampered and unchecked. Let us take a quick look at what is now taking place. We don't have to look very hard to see that we are being pushed along rapidly toward an omnipotent state — or that an omnipotent state is being forced upon us, whichever way you care to express it.

Within recent weeks, we have been presented with a detailed program for setting up this omnipotent, socialistic state. Actually, only one-fifth of one percent of the votes cast in the past national election were for the socialist candidate. The people did not vote for socialism. Nonetheless, socialism is what is being cooked up for us, and socialism is what we are going to get, **unless** we do something about it.

The direction of affairs is not left to our imagination. It is clearly indicated in such documents as the President's Inaugural Address, the President's State of the Union message, the recent report of the President's Council of Economic Advisers, and the budget message.

Hope you will read these statements. If you do, you must conclude, I feel sure, that current developments in our government are leading us strictly away from the American capitalistic economy of former years. And it is the citizens of America themselves who have encouraged and inspired this trend.

A "Grabistic Economy"

We seem to be living under what might be called, for want of a better name, a "Grab-istic" economy.

Too many citizens seem to be suffering nowadays from **"Gimme and grab."**

Too many people want something for nothing.

They want high pay in return for short hours and easy work.

They want profits without risk.

They want security without effort.

Too many people, it seems, would just rather sit around and divide up the existing wealth than to create new wealth to add to the existing supply. Likewise, too many communities are grabbing for what they call "our share of government dollars." This sets up a vicious competition among states and cities for **"free"** Federal funds.

In the early days, the frontier of the country used to be in the West; today the frontier could be said to be on the steps of the Federal Treasury in Washington.

This could be said to be the state of mind of the times: **"Gimme and grab!"** And politicians and officeholders (not all of them, of course, but too many of them) are taking advantage of it. "O.K." the government officials say (those who believe this way), "so you want something for nothing. Well, we'll give it to you.

"We'll give you security from cradle to the grave.

"We'll give you free medical care, low cost housing, subsidized food, social insurance, cheap electricity, abundant steel, reclamation projects **galore**, recreation—whatever your heart desires, and it won't cost you a cent—except in taxes—and the other fellow in the rich part of the country will pay most of the taxes."

Why do government officials make such promises as these? Why do they promote schemes which they say will make these promises come true? Why do they have to gain by setting up and pushing a "grab-istic economy"?

Well, in the first place, it's the popular thing to do. It gets votes.

And then, many of the officeholders themselves more or less seriously believe what they promise. They believe that the nation's income should be redistributed, so that everybody receives a certain minimum—and that each citizen's income (government officials excepted, of course) should be determined, not by his own initiative, skill or earning capacity, but simply by his needs and desires. They believe (if we are to believe what they tell us) that they are "emancipating the masses from suffering and want."

The government officials who are pushing the welfare-state idea fanatically believe, in many cases, that the benefits of the welfare state are as free as manna from Heaven, and that therefore these benefits should be made available to everyone in as large a measure as possible. They rationalize their thinking by saying that the Preamble of the Constitution commits our government to **"promote the general welfare"**—and they interpret this to mean that the state should be more interested in you and your personal welfare than you are yourself. They feel that the state can run your life and your business better than you can. And these government officials don't mind doing the job, in behalf of the state, because it gives them bigger and better jobs themselves.

It gives them power. It gives them authority. It gives them billions to spend. It gives them more control over the lives of more people. It gives them the personal satisfaction of being able to put their own ideas across—and of making their influences felt in a gigantic way.

For this, they are willing to work patiently and tenaciously, even though oftentimes they work quietly and without fanfare, behind the scenes.

A Great Calamity in Working

Whether they know it or not, they are working to create a great calamity in our country.

It would take far more time than we have on this occasion to outline all the various schemes the social planners in the government have fashioned, and are now promoting, to turn America into a welfare state—and, incidentally, to buttress themselves politically by taking advantage of the seemingly irresistible desire on the part of the people today to get something for nothing. But I'll touch on a few of them:

(1) First on the list is overly expanded social security. There's nothing the matter with social security as such. It's a good thing, so long as the aim is to provide a basic floor or protection against destitution. Social insurance benefits, paid as a matter of right, are a better means than public relief of dealing with the economic consequences of old age, unemployment and premature death. But the kind of social security programs that are now pending in Congress are something else again—something different. They are vastly over-expanded social security measures, and in them lurk vast dangers.

Our present social security program is in itself a baby giant. Most people think of social se-

*An address by Mr. Booth before the Natural Gas Department, American Gas Association, French Lick Springs, Ind., May 9, 1949.

curity as a mere one percent out of their pay. What they don't always remember is that the employer also pays one percent—and that this cost is usually passed right along to the employee himself in the form of higher prices or lower pay. And what most people don't even know is that under already existing law, the cost of social security will be 10% of the country's payroll before too many years. But the lavish social security programs now being considered by Congress would come to cost nearly 20% of the country's payroll.

And the cost in dollars of over-expanded social security is scarcely half the story. There are greater costs involved—costs that rob the individual of his character and his will to work, and that rob the nation of its production. Under legislation now pending in Congress (H.R. 2893) present benefits would be nearly doubled and would be easier to get—and new benefits would be added. With overly generous benefits on the one hand, and increasing taxes on the other, little reason would remain for a man to try to get ahead. And after the incentives are largely gone, the next step is a breakdown of industrial discipline. Absenteeism, malingering and fraudulent claims increase. Promotion drops. People become indifferent, cynical.

These things are not imaginary. They have happened elsewhere—in Germany, for example; and in England, too, where they now have "womb-to-tomb" security.

National Health Insurance Program

(2) Akin to social security is the so-called "national health insurance program," for which bills have been introduced in both Houses of Congress. "National health insurance" is better known by the name of **socialized medicine.**

We have here in America the best doctors, dentists, nurses and hospitals in the world—the best medical care. Yet we now face the theory that our national health can be improved if we make our medical care as much as possible like that in France and England —where it is terrible.

The sponsors of socialized medicine estimate that it will cost us a "paltry" $6 billion a year. The program would be financed by an added 3% payroll tax split between workers and employers, plus $1.5 billion a year from the bottomless Federal Treasury. You would get, if you are eligible, "free" medical and dental care, hospital service, drugs, hearing aids, spectacles, crutches, and so on. In England, the bald receive special care; they're supplied with wigs.

I wish I had time to review here some of the many pitfalls of socialized medicine. Instead, let me read you a comment on the subject by Dorothy Thompson:

"Almost no human being over a certain age is perfectly well," she points out. "As a result, the experience of public medicine, **in every single country where it has been adopted,** is that the doctor's offices and clinics are thronged with persons who are as well as their years justify, but whose demands can wreck the treasury.

"Public medicine," Dorothy Thompson adds, "runs into infinity. It is as impossible to compute the necessary number of doctors as of patients. Constantly mounting demands force a breakdown of medical standards, beginning with training."

She quotes a famous New Zealand physician who says: "Public medicine in New Zealand is a disaster. It is turning our people into a race of hypochondriacs."

That, I submit, is pretty strong medicine.

(3) A third scheme that has been dreamed up (and I mean "dreamed up") for turning America into a welfare state is the new **farm subsidy plan** which is now being promoted by Secretary of Agriculture Brannan.

Arthur Krock, Washington correspondent of the New York "Times," refers to this Brannan Plan as a piece of "political magic." "It is one of the most elaborate devices for a regulated national economy," he says, "that has been sponsored by the Executive Department of a non-autocratic government in the present age." And he goes on to say: "No more wondrous pill was ever compounded in the pharmacy of politics."

The Brannan Plan is being promoted as something that will give the farmers high prices, steady income and good profits—and, at the same time, give the consumer a bountiful supply of food at low cost. In other words, this plan for "pie in the sky" promises to be economical for the taxpayer, a boon to everyone who eats food and the road to prosperity and security for the farmer. In return for this prosperity and security, the farmer merely has to surrender his freedom, and submit to regimentation and to intensive government supervision.

The farmers themselves are not all happy over the Brannan bombshell. In some quarters it has been summed up as "a Pyramid Club with cabbages." Allan B. Kline, President of the American Farm Bureau Federation, warns that it sounds like a vote-getting appeal and farmers had better take a look at the regimentation and controls involved. If I had the endurance, and you had the time (or vice versa) I could keep on and on—telling you about the various techniques and devices now in operation, or in the planning stage, for replacing free enterprise in America with state-controlled economy. But we have neither the time nor the strength.

In passing, however, let me mention such items as:

The progressive income tax.

Estate and inheritance taxes.

The food allotment program now pending in Congress.

The so-called "Federal grants-in-aid" which take money from the pocket of the taxpayers in one part of the country and put it in the outstretched palms of citizens in another, and then make those who receive the gratuities dance to the tune the bureaucrats play. One example of this is Federal aid to education through which it is proposed to give out $300 million to $1 billion a year for current operating expenses of schools.

Then there's the multi-million-dollar subsidized housing program

And rent control—a device that prevents a fair return on investment, kills incentive on the part of private capital to build houses —and, in this way, stirs up the demand for public housing.

And so on.

All these things are steps toward socialism. All these are steps away from our American system. All are steps away from personal freedom. All these things cost money (I'm not telling you anything new when I mention that) —a terrific lot of money!

The Cost of It All

The estimated budget for the fiscal year 1950 is $41,900,000,000. That's more than ten times as great as the average annual budget through the 'twenties, following World War I. It figures out as an average Federal tax of $312 on every man, woman and child in the United States—an average Federal tax of $1,248 on a family of four—for just one year.

If we don't put a stop to "gimme and grab"—if we don't make economy in government politically popular—we'll soon be as bad off as they are in England, where **40%** of the income of the people goes for taxes to pay for their Socialist Government. The worker in England doesn't have enough left over after taxes to provide for any of his own emergencies. He must look to the state to take care of him in every emergency that comes along. No one in England today can earn enough income to pay his living expenses and his taxes, and still have anything left over for savings to provide new equity capital. Winston Churchill is credited with having earned here in the United States a million dollars on his memoirs. Out of his earnings, his government allowed him to keep only $24,000 after taxes.

And now comes something which, as the dentist says, is going to hurt: a quick review of House Bill 2756—the Economic Control Bill, as it is commonly known—or the Spence Bill.

This truly extraordinary bill was introduced by Representative Brent Spence of Kentucky.

"The authorship of the Spence Bill," says Felix Morley in "Nation's Business," "is attributed to a small White House clique, which is headed by Secretary of Agriculture Brannan, and in which spokesmen for the CIO and the leftist Farmers' Union are dominant."

The actual phraseology of the Spence Bill, Mr. Morley points out, gives more than a little evidence that the bill was modeled after the Soviet law which set up "The Great Stalin Five-Year Plan."

If the Spence Bill becomes law, it would center almost unbelievable authority in the White House. It would, as a matter of fact, make the President virtually a dictator over production and supply, prices, and wages. It would give the President at least 46 **broad specific powers.** It would give Congress **none.**

Hold on to your chairs a moment, and I'll tell you some of the powers the President would have under this strange and exciting bill:

The President would have power to **designate materials or facilities** with respect to which he feels that a shortage is affecting—or threatening to affect—the domestic economy. Then he would have power to **develop and administer** such **federal programs at home and abroad** as **he** may deem necessary **to supplement the efforts of private enterprise.** He would have power to contract for research work, to construct and operate new plants and expand or rehabilitate existing plants to increase production. He would have power to dispense with public hearings. At the same time, he would have power to subpoena witnesses and company books and records. He would have power to require the seller of any commodity to give **60 days' notice** of any **intended price increase.** And this precious proviso is added: Any increase in wages granted by our employer would not be considered an increase in the cost of production for the purpose of adjustments in price ceiling, until six months after the wage increase has gone into effect.

The avowed purpose of the Spence Bill is "to implement the established national policy of promoting employment, production and purchasing power." Its real effect, as you must know, would be to shackle private industry. It is a surreptitious flank attack on competitive enterprise. It is a bold attempt to get legislative authorization for the establishment here in America of a planned economy on the Russian model. You are probably wondering how any public official in America could ever have the audacity to frame such a bill—patterned after a Russian measure—let alone introduce it.

It is obvious, I am sure you will agree, that we are much further along the road to collectivism—with its slackness, incompetence, impoverishment and destruction of individual incentive and freedom—than most people realize.

What Can We Do About It?

"What can I do about it?" That is the question the responsible, self-respecting, conscientious citizen is asking himself these days. "What can I do, where I am, to help meet this serious threat against our American way of life —and to help clear up the muddled thinking that now exists in national affairs? Is there **anything** that I can do?"

Yes, there is much that every able, earnest, sincere person can do.

No matter who you are—or where you are—or what your work may be—or how busy you may be—you can do much to help curb today's socialistic **trends.** We are not overgrown dinosaurs with no brains, no constructive imagination, and no moral power to mold and direct the changes of our day. Man has been given intelligence if he will use it. Man can "determine for every plant under the earth whether it should bloom or fade, for every animal whether it should increase, or change or die." Man—and this is true here in America, at least—can determine whether he himself should bloom or fade—whether he should **bloom** under freedom, or fade under some governmental system of slavery.

My subject—perhaps I should have told you earlier—is from a piece of good advice by Daniel Webster that is carried as a frieze around the inner court walls of the National Chamber's building in Washington. The full quotation reads:

"Let us develop the resources of our land, call forth its powers, build up its institutions, promote all its great interests, and see whether we also, in our **day** and generation, may **not perform** something worthy to be remembered."

"Perform something worthy to be remembered"! I wish each one of you could make that your personal slogan for the rest of your life.

You can "perform something worthy to be remembered." **You count.**

The first thing that each one of us can do is to deepen our own understanding of how and why our free society has worked so productively and well. As true liberals, and having as our objective the genuine improvement of the economic welfare of the people, we should re-think the basic principles upon which a free society rests—and then check the wisdom of particular proposals against those principles.

This will help us burn into our souls a proper philosophy about our country and our freedom. It will give us an unshakable conviction as to why our present economic power and well-being should be continued—and further strengthened. Despite all the short-sighted, plundering political plans to which we are now committed, America is not done for. We can still have trust in humanity, of that I am certain. We can still have faith in God, as long as we have faith with **works.** And we can still have whole-hearted confidence in America.

America is still a going concern. Our standard of living is the highest in the world; it is higher today than it ever has been.

Our productive capacity is by far the greatest of any country; it is greater today than it has ever been. With only about 6% of the world's population, we have more young people in high schools and colleges than all the other 94% put together. We have more **hospitals** and **more charitable insti-**

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Coming Crisis in World Textiles

By WILLIAM de MIN*

President, Textile Export Association of the U. S.

Stressing need for continued textile exports to maintain industry's stability, Mr. de Min deplores import restrictions and barriers set up by foreign countries and sees no improvement in world trade until world currency situation is stabilized. Foresees loss of U. S. competitive position in any drastic devaluation of foreign currencies.

Looking back over the year that has elapsed since our Association elected me President, I am truly amazed by the variety and number of problems that arose during the period and how well, on the whole, they were handled by our group. Many of these difficulties still persist and will continue to persist so long as the world economy continues to suffer from the ravages of war. But I am firmly convinced that we of the textile export trade are better equipped than ever before to deal with the troubles that afflict us.

William de Min

At no time in the history of this industry has there been the keen interest in world trade that there is at the present time. The day when export orders were regarded as something extra, something akin to winning a lottery is long since past. On all sides there is recognition of the fact that it is impossible for this industry to continue to operate at the average rate of the last decade without exporting at least 10% of its output. You can readily imagine what the state of this market would be right now if exports had sagged to the same extent as domestic demand. There is no doubt but that the orderly behavior of the cotton goods market over the last six months has been due in some measure to the stabilizing influence of rather substantial export sales. It would seem that we of the export trade have again become the "fair haired boys" of the industry and can be certain from now on that our difficulties will receive the industrywide support and attention they merit.

Illustrative of this widespread interest in exports is the Textile Industry Committee on Foreign Trade. Serving on this committee are delegates representing the five major trade associations of the cotton textile industry. Organized early this year, it is the purpose of this group to summon the combined support of the industry behind any movement, that has for its purpose the maintenance or expansion of our foreign trade in textiles. While we have enjoyed the cooperation and assistance of all divisions of the trade in the past, the organization of this central committee makes it possible to obtain industrywide support and guidance at almost a moment's notice. It serves as a dramatic answer to those within official government circles who have repeatedly taken the stand that the industry is indifferent to world trade except for a vociferous minority of export managers.

Barriers to Exports

In the Secretary's Report, which will be mailed to you, you will find a complete description of our activities for the last year. However, with your consent, I will attempt to touch upon some of the activities that absorbed the time and attention of your officers and staff over the last 12 months.

Less than a month after I took office, we were brought face-to-face with the first of several attempts by Cuba to hamper our trade with that market. All of you must recall Resolution 530 and the struggle that followed its issuance by the Cuban Government. Our efforts to force its withdrawal involved not only frequent trips to Washington and long conferences with government agencies during July and August, but also a journey to Havana and the presentation of our case there before members of the Cuban Cabinet. It was a long, hard, difficult fight and it was not until September that we finally achieved our objective. You will recall that the matter was brought before the international conference at Geneva whereupon Cuba immediately rescinded the measure. Now we are again confronted with still another attempt to strangle our trade with Cuba and we promise that we will be as aggressive and unyielding in combatting it as we were in resisting the imposition of Resolution 530.

In each and every instance where barriers were raised against our exports, this association reacted promptly and aggressively. At no time did we ever take a defeatist attitude, throw up our hands and abandon the fight. We have consistently taken the stand that defeatism is infectious and that failure to fight back even when we knew the chances of success to be slight, would lead to a weakening of fibre and a spread of "Aw, what's the use" spirit. Even in those cases where our efforts were of no avail, we feel that we made some headway in that we effectively served notice on competing industries abroad that we will not take any attempts to hogtie us lying down. We have reason to believe that the widespread publicity accorded the many disputes over restrictions and discriminatory practices in which we were involved deterred many countries from making the measures imposed on us even more severe. In the Secretary's Report, you will find a detailed account of these struggles to safeguard our export trade.

Have Done Fairly Well

But in view of the many restrictions that have been imposed on us in the great majority of world markets, it must be admitted that we have done fairly well. True, our exports of 941,000,000 yards in 1948 fell short of the all-time high of 1½ billion yards achieved in 1947, but it is unlikely that we will ever attain the latter figure again. Notwithstanding, it must be admitted that our performance in the first quarter of the year was little short of amazing. In the January-March period, exports amounted to 284,018,045 square yards, only 13,000,000 square yards short of the all-time high for this period which was achieved in 1947, or exactly 12.6% of the output for that period. There is little likelihood that shipments will continue at this rate for the balance of the year for there is already evidence of a marked slowing down of demand in a number of markets, and a contraction of purchasing power. However, our shipments this year will be substantial and even now are running at above 10% of the greatly reduced production of our industry. In this connection, it may be salutary to point out that our exports in the 20s, that is in the 10-year period 1920 to 1929 amounted to slightly more than 500,000,000 yards per annum. In the 30s, 1930 to 1939, they averaged less than 300,000,000 yards per year. In the 40s, that is up to the present time, we have been shipping at an average of 750,000,000 square yards a year. For the last two and a quarter years our average was well above a billion yards per annum.

Under no circumstances should we permit ourselves to be guided by the total exports in the periods 1920 to 1929 or 1930 to 1939. The world has progressed, populations have increased, the standard of living over large parts of the world has substantially improved and we have every right to base our future goal on our accomplishments of the last decade rather than on prewar years. The volume and variety of American fabrics which are available and particularly the styling of American goods have helped us to find a place in world markets which we could not possibly have achieved in the years before 1940.

Far East Developments

In the last few months developments in the Far East have tended to obscure what has come to be known as the Japanese textile problem. The conquest of the greater part of China by the Communists plus frequent flare-ups in Southeast Asia have forced upon the United States an entire reconsideration of its Far Eastern policy. What this policy will ultimately be, no one at this time can foretell. In the words of Dean Acheson, we must wait for the dust to settle. There is no doubt but that our policies in connection with Japan may have to be recast in the light of entirely new developments in the Orient. In prewar days, Japan was as necessary to the smooth functioning of the Asiatic economy as Germany was to the European economy. Most of the plans to date for Japan's rehabilitation have been projected on the assumption that she should be restored as a leading supplier of a vast variety of consumer goods to the coolie income groups of the Asiatic continent. With the vast population of China slipping under Communist control, it would seem that Japan's important markets there will be cut off for a long time to come. Even if China is compelled by necessity to trade with Japan, volume is likely to be only a fraction of what it was in prewar days. This means, of course, that Japan may be forced to look for its livelihood to the so-called sterling and dollar markets.

It is for this reason that your association decided early this year that steps should be taken to bring about a long range solution of the Japanese problem. In January, the officers of this association had a series of discussions on this subject with the head of the British Cotton Board. Most of the markets in Asia where Japan used to distribute her goods are members of the so-called sterling bloc. In brief, while the United States may control the production of Japanese textiles, Great Britain exerts a control over most of the markets in which this production was distributed in prewar years. It is because of this situation that the British and American industries must cooperate in bringing about a solution of this problem.

Currencies Must Be Stabilized

The more one studies the available data on world trade in textiles, the more one is convinced that there will be no substantial improvement in the total international movement of goods until the world currency situation is stabilized. Dollar shortages underlies the innumerable barriers to trade that have been erected in the last few years by nearly all the markets on the globe. Many currencies have lost their international character in that their convertibility into dollars or other currencies is made difficult by a host of safeguards and regulations. To complicate matters still further, many countries have been using dollar shortages as an excuse to throttle imports to protect their fledgling and inefficient textile industries and also to distort their economy by a forced growth of their durable goods industries. For example, there are a number of countries which are in dire need of textiles but insist on spending the dollars they have on capital goods. As an example of this, we wish to cite this paragraph from the United Nations report entitled, "Summary of Main Features of the Economic Survey of Europe in 1948," which reads as follows:

"Intra-European trade was increasingly concentrated on capital goods, while the volume of trade in consumers' goods such as textiles showed a steadily declining trend." Further on, in the same report, we come across this significant paragraph: "The level of trade amongst the O. E. E. C. countries themselves is planned to increase substantially from the low levels of 1947, but will barely regain its prewar volume. However, a certain contradiction in the plans is evident in the fact that in the trade amongst themselves, the plans forecast an increase in exports 10% above prewar, while total imports remain approximately at the prewar level (though by definition the aggregate volume of the two should be the same). The difference is largely accounted for by the large export surplus of agricultural produce planned by France which is not reflected in the import plans of the other countries; the desire of certain countries to sell machinery and equipment in excess of the amounts which, as importers, they plan to buy; and finally, by the general desire of the O. E. E. C. countries to sell textile products to each other while refusing to buy them."

Unless something is done to correct this logjam, there is a strong likelihood that a serious crisis in world textile trade may develop before the end of the year. World production of textiles is welling fast but world trade remains static. Our industry is now in a position to supply to world markets double or triple the amount of our goods that they are now absorbing.

Caught on Horns of Dilemma

Meanwhile, we are caught on the horns of dilemma. Our prices at present are competitive and attractive but business is being held down by restrictions born of currency difficulties. In order to correct these currency problems, many countries are seriously considering the devaluation of their currencies. It seems almost certain the value of European currencies will be readjusted downward in the near future. This means the cost of our goods to consumers overseas will be increased. Shipments to Europe will be affected first, but the headache will spread. Sales to Latin America could suffer because the dollars available in these countries could be spent for bargains in the countries when devaluation has taken place.

The currency difficulty will not be relieved, in my judgment, by the Charter of the ITO, approval of which the President of the United States recently requested. He described the ITO Charter as "the most comprehensive international agreement in history" and as "an integral part of the larger program of international economic reconstruction and development."

While it may be true that the Charter is the most comprehensive international agreement in history, an examination of the document makes it difficult, indeed impossible, to determine what was agreed on. The Charter is long and complex, contains nine chapters and more than 100 clauses, ranging from the minutiae of trade to broad principles of national and international economic policy. The language is both technical and vague and every rule laid down in the Charter is qualified by many exceptions, most of which are framed in such terms that all countries but the United States could invoke them. A substantial part of the Charter, especially the clauses relating to quantitative restrictions, is now a part of GATT. We textile exporters have already had more than one occasion to learn the futility of that document and we have no reason to believe that the acceptance of the Charter as a whole will prevent the rise of additional and higher barriers not only against the export of our industry but the exports of the country as a whole. The only effect of its acceptance, as far as this industry and this country are concerned, is to provide a device for the further reduction of the American tariff while leaving other countries free to pursue their present policies of discrimination. Along with most members of this association, I urge that this Charter be rejected by Congress.

*Address by Mr. de Min at the Annual Meeting of the Textile Export Association of the United States, New York City, June 9, 1949.

Says Bankers Are Lazy and Incompetent

Paul Dysart, stock market analyst, in address at Louisville, Ky., holds investors cannot be blamed from staying away from stocks, when banks buy only government bonds.

Speaking at a luncheon meeting of the South End Optimist Club at Louisville, Ky., on June 12, Paul Dysart, a local stock market analyst and former Chicago stock broker, accused bankers of being lazy and incompetent, since, by limiting their portfolios largely to government bonds, "they have abdicated their responsibilities in the field of investment selection."

Mr. Dysart stated "this abdication is consciously or unconsciously encouraged, if not downright abetted, by the Federal Deposit Insurance Corporation and national bank examiners, who are all too quick to appraise critically what today are good, sound bonds, adequately secured and amply protected by earnings.

"Thus we see these instruments of government rather willingly discouraging the banks from buying goods bonds at higher yields than banks can get on Government bonds because the government wants to keep them buying Government bonds exclusively."

"Because bankers' lack of interest in good, sound bonds, these bonds sell lower than they should," Mr. Dysart pointed out, adding, "this in turn affects the market on these concerns' stocks, and many worthy industrial, railroad and public utility companies find themselves unable to market equity investments through investment dealers."

"How do bankers earn the big salaries they draw, when they merely sit back and buy nothing but Government bonds? . . . Who can blame investors for staying away from stocks in droves while the banking fraternity won't buy good bonds at attractive prices?", Mr. Dysart asked.

Davenport With Clayton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Carleton Davenport has become associated with Clayton Securities Corp., 82 Devonshire Street. Mr. Davenport was formerly with Draper, Sears & Co. and in the past conducted his own investment business in Boston.

Hanrahan Reelected SEC Chairman

From Louisville, Ky. comes report that Edward F. Seiller, Kentucky State Treasurer, is to be appointed to SEC to succeed Robt. K. McConnaughey.

It was announced in Washington on June 24, that Edmond M. Hanrahan was reelected Chairman of the Securities and Exchange Commission for the year ending on June 30, 1950. He has been a member of the Commission since July 22, 1946, and Chairman since May 18, 1948.

E. M. Hanrahan

According to the Louisville "Courier Journal" of June 17, President Truman will submit the name of Edward F. Seiller, State Treasurer of Kentucky, as a member of the Securities and Exchange Commission, to succeed Robert K. McConnaughey, of Ohio, whose term expired June 5, and who declined reappointment.

Mr. Seiller, a lawyer, is 50 years old. He was born near Mount Sterling, attended the University of Louisville and is a graduate of the Jefferson School of Law. After working four years in Lexington for the Chesapeake & Ohio Railway, he was on the staff of the State Commissioner of Agriculture, was with the State Banking Department three years, and was in charge of organization of the National Re-employment program in Kentucky.

He is a veteran of both World Wars, had the rank of Lieutenant-Colonel and was awarded a bronze star for bravery while serving under General Patton in the Battle of the Rhine River Crossing.

Charles Parcells, Jr. To Be Partner

DETROIT, MICH. — Charles A. Parcells, Jr., will become a general partner in the firm of Charles A. Parcells & Co., Penobscot Bldg., on July 1, 1949. Approval of the firm's application to admit the younger Parcells was just announced by the Detroit Stock Exchange's Committee on Admissions.

Prior to becoming associated with the firm on a full time basis more than a year ago, Parcells filled various part time assignments with the company when college and university requirements permitted before his enlistment in the U. S. Army. After four years of service he was discharged with the rank of captain. He then continued his studies at the University of Michigan where he received a Master's Degree in Business Administration. Undergraduate work was done at Yale with one year in the Yale Law School.

Charles A. Parcells & Co. holds the oldest Detroit Stock Exchange membership. It was issued April 1, 1919. Charles A. Parcells, Sr., founder of the firm and active until his death a year ago, served two terms as President of the Exchange in 1945 and 1946. The other general partners of the firm are Earle W. Parcells and C. Errol Exley.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Neil J. Frechette has joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

Marshall Aid and U.S. Depression

By PAUL EINZIG

Dr. Einzig, in commenting on fear in Britain that Marshall Plan aid will be reduced in event of depression in U. S., contends this country will have to decide either to finance its export surplus by continuous gifts abroad or provoke grave crisis in Britain as well as other European nations because of exhaustion of their gold reserves.

LONDON, ENGLAND.—The prospects of growing American opposition to Marshall aid are causing much concern in London. This stiffening of the attitude of Congress, of American public opinion and press, and even of the Washington Administration—symptoms of which are already noticeable — is attributed to the progress of the trade recession in the United States. So long as the absorbing capacity of the American domestic market was almost unlimited the efforts of the United States authorities to put European industries on their feet again encountered no strong opposition. With the contraction of the American markets, however, American business interests are becoming more export-minded, as is indicated by the various protests that have reached London from Washington against measures which tend to assist Britain and other countries to cut down their dollar imports.

Dr. Paul Einzig

It is fully realized in official circles in the United States that it is absolutely essential that by the end of the Marshall Aid period Britain and other Western European countries should be able to balance their international accounts in dollars. To that end these countries have to reduce their imports from the Western Hemisphere and they have to increase their exports to the Western Hemisphere. Although the general principle is readily admitted, when it comes to concrete instances, such as American film export to Britain or British oil sales to the Argentine, or the import of natural rubber, the individual American interests affected by the progress of Britain toward balancing her accounts invariably mobilize their influence to induce the United States Government to call a halt.

This is considered here to be in accordance with human nature. But it is asked how the general principle of balancing international accounts can be proceeded with if in each individual instance objections are raised to the concrete steps taken in the direction of progress. At present, it is true, the objections are not pressed unduly. But it is feared in London that, as and when depression in the United States becomes aggravated, pressure on the Washington Administration will grow, and that the State Department, in turn, will insist on its protests with growing emphasis.

It is felt that sooner or later the United States will have to face the issue at stake. It is no more possible to balance Britain's dollar account without hurting some American interests than to make an omelette without breaking eggs. In order that Britain should become independent of American aid, the United States will have to sacrifice some of their British or foreign markets. The alternative would be to admit more British goods into the American markets, but this again would only mean that the American interests in question would lose some of their domestic markets instead of losing their overseas markets. Unless the inevitability of losing some ground at home or abroad is admitted, there can be only two logical conclusions. The United States will have to decide either to finance her export surplus in perpetuity—in other words to give away her goods for nothing—or to provoke a grave crisis in Britain and other European countries by insisting on a course which leads to the utter exhaustion of their gold reserve. When that stage is reached American business interests will have to suffer because they are bound by their overseas markets in any case.

With the adoption of the Marshall Plan the broad view that it is, in the long run, to the interests of the United States that Europe should become self-sufficient, triumphed. But at that time American domestic trade was booming, and it was relatively easy to take long-range views. If, as is feared, the American depression should become aggravated, then there is a danger that short-range views would prevail. Too much importance would then be attached to the immediate problem of safeguarding American business interests in face of the growing depression, at the expense of sacrificing long-range interests attached to European recovery.

Would Administration and Congress be able to resist the combined pressure of all American business interests demanding that their markets must be safeguarded at all costs? Would American opinion understand that, if all American business interests are safeguarded it must mean that Britain and Europe are condemned either to becoming perpetually dependent on dollar support or to using up all the dollars they have? It stands to reason that the cutting down and elimination of their dollar deficit must mean that some American business interests must lose some markets. The question is, would it be possible to explain this truism, and if so, would it be possible to arrive at some scheme as to which of the interests must bear the burden of the inevitable sacrifice.

The agitation in favor of a return to multilateral trading only obscures the issue. No matter how multilateral the system should become, it does not produce for Britain and Europe a single additional dollar unless British and European goods take the place of American goods, either in the American domestic market, or in the domestic markets of the countries concerned, or in the markets of third countries. The triumph of multilateral trading in Western Europe, to which so much importance is attached in Washington, would only mean that Western European countries would take in each other's washing to a large extent. It would only contribute toward the solution of their dollar problem to the extent to which they import each other's goods instead of importing American goods. That again would be detrimental to the immediate interests of the American exporting industries concerned. The moment these industries are affected by European bilateralism to any considerable extent they are likely to bring pressure to bear on the Administration to safeguard their interests.

The only hope lies in the expansion of the American domestic markets, which would compensate American business interests for the loss of their export markets that they are bound to suffer if and when Europe should achieve the aim of becoming self-supporting, as they are required to become under the Marshall Plan. Otherwise there is reason to fear that the pressure by American interests anxious to safeguard their full export markets might wreck the Marshall Plan.

Two With Brereton, Rice

DENVER, COLO. — Edward A. Eggert and Horace R. Medley are now connected with Brereton Rice & Co., Inc., First National Bank Building.

Stix & Co. Adds

ST. LOUIS, MO.—Lorraine R. Lasswell has been added to the staff of Stix & Co., 509 Olive Street, members of the St. Louis Stock Exchange.

With John Nuveen & Co.

CHICAGO, ILL. — Robert D. DeMuth is now connected with John Nuveen & Co., 135 South La Salle Street. He was formerly with Paine, Webber, Jackson & Curtis.

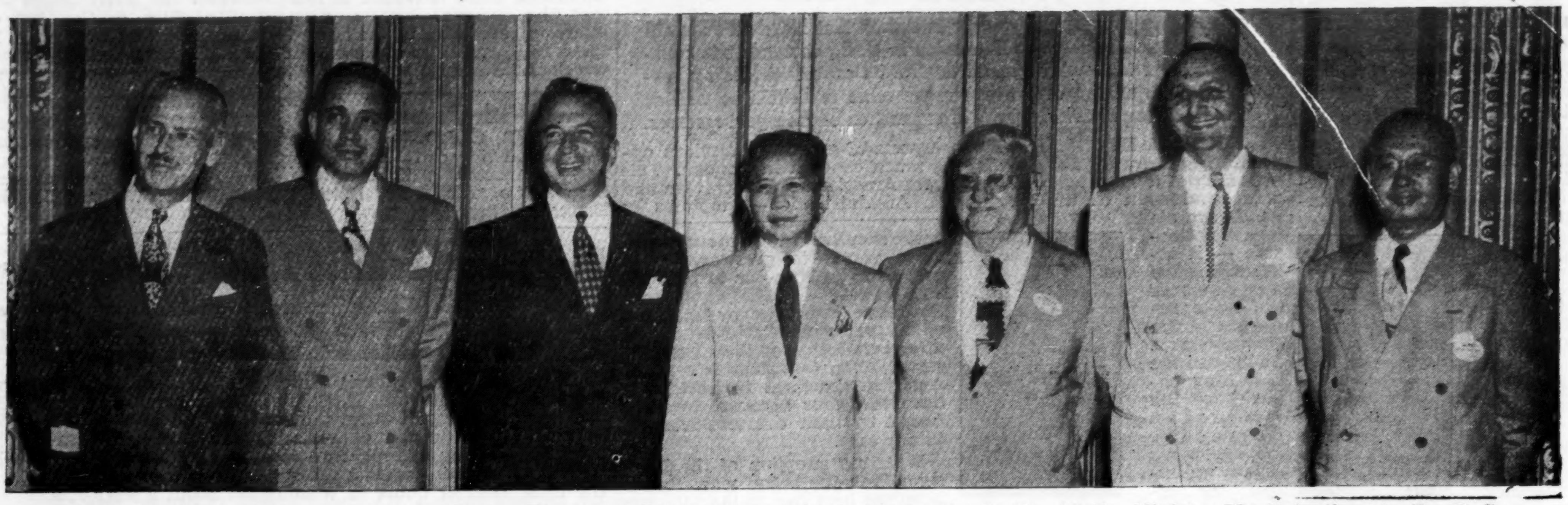
Realty Board Decision Removes Threat to Exchs.

Judge Alexander Holtzoff's decision that uniform commission charges are not violation of anti-trust laws upholds similar rules on securities and commodity exchanges.

In a decision rendered June 28 by Federal Judge Alexander Holtzoff in Washington, D. C., the Washington Real Estate Board, and its parent organization, the National Association of Real Estate Boards, was acquitted of violating the Sherman Anti-Trust Act because of fixing of brokerage fees by agreement. A criminal case by the government against the same defendants was thrown out by the U. S. District Court in Washington about a year ago.

In the argument before the Court, the government's attorney, Victor H. Kramer, hinted that if the government won the case, similar action might follow against the nation's securities and the commodity exchanges. The question came up when Federal Judge Alexander Holtzoff asked the prosecutor why the government had not tried to bring similar action against the New York Stock Exchange or the Chicago Board of Trade. The Judge pointed out that the securities and commodity exchanges operate throughout the country with rules that its member firms charge uniform fees for their services. Mr. Kramer replied that 'appropriate action" against these exchanges might follow if the case against the real estate board was won.

Benguet Stock Admitted to NYSE Trading



Above, left to right, are Lucien H. Mercier, Director of Benguet Consolidated Mining Co.; Emilio Abello, Minister Plenipotentiary to the U. S.; Myron Cowen, U. S. Ambassador to the Philippine Islands; Gen. Carlos Romulo, representing the Philippine Islands in the United Nations; Judge John W. Haussermann, President of Benguet; Herbert Allen, senior partner of Allen & Company, New York investment firm, and Jose P. Milencio, Philippine Consul-General of New York.

Guests of the New York Stock Exchange, June 27, on the occasion of the admission to dealings of the capital stock of Benguet Consolidated Mining Company, of the Philippine Islands, included Carlos Romulo, representing the Philippine Islands in the United Nations; Myron Cowen, U. S. Ambassador to the Philippine Islands, and Emilio Abello, Minister Plenipotentiary to the United States; together with John W. Haussermann, President of the Company.

With Mr. Haussermann were Jose P. Milencio, Philippine Consul-General in New York; Herbert Allen and Lucien H. Mercier, directors of the company, and James Deer, Counsel.

The guests visited the trading floor where they witnessed the first trade in the company's stock, and were entertained at luncheon by Emil Schram, President of the Exchange, and Robert P. Boylan, Chairman of the Board.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The earnings and dividend prospects of insurance stocks for the current year are believed to be distinctly favorable. The large volume of the past few years should begin to be reflected in earned premiums and profits as lower prices reduce loss expenses.

Because of these conditions a large number of insurance companies will almost surely report the highest earnings of their history this year and show considerable improvement over last year's generally favorable result.

Few groups of equities are in such a position. With business activity trending lower and margins of profit narrowed because of lower prices, smaller earnings would seem to be in prospect for most companies.

Despite excellent market response by insurance stocks over the past year, the current favorable conditions will likely continue to be reflected in the market price of the shares of this group. As a result many investment houses are recommending the purchase of current prices of some of the more favorably situated companies.

Two weeks ago several companies were commented on briefly and this week three more of the leading firms are reviewed.

Home Insurance—The Home has a 76-year record of continuous dividend payments. During 1948 the company absorbed its 10 fire affiliates by an exchange of stock. This leaves only one subsidiary, The Home Indemnity, and makes the company the largest writer of fire insurance in the country.

As this company in years past has been relatively generous with stockholders, its capital stock has become one of the most popular and readily marketable of all insurance issues.

Last year the Home paid dividends of $1.30 and investment income totaled $1.95. After taxes and reserve adjustments, operating earnings are estimated as being equal to $3.02 per share for 1948. The $1.30 payment is considered secure and in view of the past history of the company some increase in the distribution is looked for this year.

Earnings during 1949 should benefit from the current favorable trends within the industry and from the non-recurrence of certain reserve adjustments and merger expenses which limited the gain in profits last year. These considerations should be reflected in higher operating earnings for the current period.

Great American—This company also has a long record of dividend payments and an excellent operating record. Dividends have been maintained without interruption for the last 77 years and an underwriting profit has been earned in each of the last 39 years.

Last years operating profit is estimated to have been around $4.60 a share. Considering the expansion of the earnings base in recent years, with premium volume more than doubled in last five years, earnings during 1949 should show further improvement, notwithstanding a higher liability for Federal income taxes. Per share figures may approximate $5.50 barring unusual losses.

As with a number of other companies present dividend payments are conservative both in relation to present and possible future earnings. The present indicated rate is $1.30 per share. Last year investment income alone amounted to $2.43 a share. In view of the fact that investment earnings should be at least equal to those of last year, it seems logical to expect some increase in the payment sometime this year.

Hartford Fire—Hartford Fire is regarded as the quality issue in the fire insurance group. It has a history going back 139 years which is marked by successful operations and a long record of dividends. Underwriting and investment policies are very conservative.

Because of the high investment regard in which the stock is held and the relatively low proportion of earnings paid out as dividends, the stock returns a yield of only around 2%. The conservative investment policy of the company with 65% of securities. U. S. Governments also contributes to this evaluation of the stock.

Last year consolidated earnings were equal to an estimated $20.90 of which investment income amounted to $6.09. Underwriting earnings show further improvement this year and investment income could show some modest increase. At such time as a more aggressive investment policy is adopted it is believed investment earnings could be increased considerably.

The present dividend of $2.50 is distinctly very conservative. It has been maintained at this rate since 1939. During this time investment income has grown from $3.20 to last year's figure of $6.09. Considering the strong position of the company and the fact that premium volume appears to be leveling off, a more favorable dividend policy would seem to be indicated.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Miss Alvern Sutherland, Librarian, of the Board of Governors of the Federal Reserve System, Washington, D. C., was elected Chairman of the **Financial Group of Special Libraries Association** at its annual business meeting held on June 16, in Los Angeles. Miss Elizabeth Knapp, Librarian of the Graduate School of Business Administration, New York University, New York City, was elected Vice-Chairman. Miss Marian Lucius, Librarian, Price, Waterhouse & Co., New York, was elected Secretary-Treasurer. The officers for the past year were: Chairman, Miss Laura Marquis, Mellon National Bank and Trust Company, Pittsburgh, Pa.; Vice-Chairman, Miss Alvern Sutherland; and, Secretary-Treasurer, Miss Amy Early, Librarian, Federal Deposit Insurance Corporation, Washington, D. C. The membership of the Financial Group is composed of 492 librarians from banking institutions, investment houses, and other financial corporations. The official publication of the Group is the "Financial Group Bulletin" which contains articles, bibliographies, and miscellaneous news items of interest to financial librarians.

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C. Norman Ramsey, Vice-President of the **Citizens & Southern National Bank, Atlanta, Ga.,** was on June 21 elected President of the Class of 1949 of **The Graduate School of Banking** in session at New Brunswick, N. J. John C. Warner, President of the First National Bank of Milford, Pa., was elected class Secretary. The Graduate School, which is holding its 15th summer session on the Rutgers University at New Brunswick from June 20 through July 2, is sponsored by the American Bankers Association. It is being attended this year by almost 1,000 bank officers from all parts of the country. The Class of 1949, totaling 341 students, will be graduated on Friday evening, July 1. Both Mr. Ramsey and Mr. Warner are majoring in Commercial Banking at the School.

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Albert Roeder of the **Brooklyn Trust Company of Brooklyn, N. Y.,** has been elected President of the **Financial Purchasing Agents Conference,** succeeding Leonard L. Bleecker of Bankers Trust Company of New York. Other officers of the organization elected for a one-year term are: Vice-President, Philip L. Amon, Grace National Bank of New York; Treasurer, J. M. Von Glahn, J. P. Morgan & Company, Inc.; Secretary, Wortman Eason, Guaranty Trust Company, New York. The organization, which meets each month at the New York Clearing House, comprises representatives of 22 New York banking and financial institutions.

* * *

Benjamin Strong, President of **United States Trust Company of New York,** announced on June 27 that Carl O. Sayward, Assistant Vice-President, has elected to retire from active business on Aug. 1, under the provisions of the company's retirement plan. Mr. Sayward has been active in the financial district for over 40 years. During the past 28 years he has been associated with the United States Trust Company in its Investment Department. Mr. Sayward is leaving June 29 on terminal vacation preceding effective retirement on Aug. 1.

* * *

In connection with the recent offering to the stockholders of the **Bank of the Manhattan Company of New York,** of 500,000 shares of new capital stock at $21.50 per share, it was announced on June 23 that subscriptions in excess of 80% had been received. The remaining shares were taken by the First Boston Corporation and other underwriters, which offered publicly on June 23, 93,535 shares, at $22.50 per share. The offering was oversubscribed and the books closed shortly after it was made. The 93,535 shares of stock offered together with 4,080 shares previously sold by the underwriters represented the unsubscribed balance of 97,614 shares not taken upon exercise of subscription warrants under an offering of 500,000 shares made to stockholders of record June 7. Warrants expired on June 22. Items bearing on the increased capital of the bank appeared in our May 5 issue on page 1950, also in our June 9 issue, pages 2490 and 2514.

Following a meeting of the directors of the **Bank of the Manhattan Company of New York,** on June 23, Lawrence C. Marshall, President, announced the appointment of Miss Jane M. Lee as Assistant Treasurer and Eugene V. Colligan as Assistant Trust Officer. Since 1943 Miss Lee has been in charge of the tabulating department at the bank's main office, 40 Wall Street. Mr. Colligan was admitted to the New York State Bar in 1939. From 1938 to 1940 he was attached to the Corporation Counsel's office in New York City. From 1940 to 1947 he was engaged in private practice. Since August, 1947 he has been attached to the corporate trust department of the bank.

Cites Potential Uses of Nuclear Energy

Glenn T. Seaborg says, in addition to serving large industrial plants, it can be used to propel large ships, submarines and airplanes. Will enable establishment of industries in isolated regions, but shielding from radiation is difficult problem.

Nuclear energy probably never can be utilized to run automobiles or locomotives, but it can be used to propel large ships, submarines and airplanes, Glenn T. Seabord, atomic scientist, stated in an address at the semi-annual meeting of The American Society of Mechanical Engineers in San Francisco, on June 29.

Glenn T. Seaborg

Mr. Seaborg, who is a member of the General Advisory Committee to the U. S. Atomic Energy Commission, professor of chemistry at the University of California and co-discoverer of fissionable isotopes plutonium-239 and uranium-233 and of plutonium (atomic number 94), americium (atomic number 95), and curium (atomic number 96), spoke at ASME meeting headquarters in the University of California Extension Building.

Because of bulky shielding requirements, atomic energy plants will be best suited to stationary structures, at least at first, Mr. Seaborg said, but it is quite possible that such machines can be developed for mobile units where limitations on space and weight are not too great.

Isolated Regions First

"Thus the earliest uses (of atomic energy plants) could profitably be in isolated regions where there is need for additional power," he said. "There is no reason, however, why nuclear reactors cannot eventually be adapted to seagoing vessels, especially large ships. It may even be feasible sometime in the future to use power plants of this type in large submarines, giving to such vessels the advantage of very long cruising ranges. It is also probably not out of the question that eventually such power plants might be used for propulsion of very large airplanes which are being planned for the future. It does not seem that it will ever be possible to use this source of energy for propulsion of ordinary automobiles or even locomotives."

Before any of these uses can be made of atomic energy, a number of difficult problems must be solved—and that will take time, Mr. Seaborg told ASME members. It should be possible within the next few years to build a machine that will produce enough useful energy to run a small electrical generator, he estimated, and within a decade, to build a power plant that can produce useful energy on the scale of a hundred thousand kilowatts.

Large Industry Stature

From this point it is technically feasible for atomic power plants to develop to the stature of large industry, said Mr. Seaborg, but he did not think any appreciable fraction of the world's energy would be produced in this manner for several decades.

"It is not out of the question that atomic energy will eventually compete economically with coal as a source of energy," he said, "but it is also quite possible that this will never be the case except for localities where transportation difficulties make the price of coal very high."

Even should the atomic source never provide cheaper energy that the present common sources, it still will have an important, though more limited, future because of its advantages as a compact and almost inexhaustible source of energy, Mr. Seaborg pointed out. One pound of fissionable material is equivalent to about 10 million kilowatt hours of heat energy, he explained. Thus, one pound burned per day and converted to electrical power could supply the power and light needs for a city of hundreds of thousands of people.

Problems To Be Solved

Problems that must be solved before atomic energy can be made useful are largely engineering, Mr. Seaborg continued. The machines must run at high temperatures in order to extract the energy in useful form, he explained, and this means there will be problems involving materials of construction. Construction materials also must be chosen from those whose neutron absorption is small, he said, and this limits the choice to uncommon substances.

"Adequate coolants which do not absorb neutrons must be found and a method for control of the reaction must be assured," he continued. "It will also be necessary for the chemists and chemical engineers to develop very efficient procedures to purify the plutonium and uranium and also to repurify these materials in order that the unburned fuel may be used again."

The staggering amount of radiation emanating from a pile operating at a high power level makes it necessary to enclose the power pile within thick walls of concrete, steel or other absorbing material, Mr. Seaborg said. And this creates other problems, for the shielding material must be constructed so that the pile may be loaded and unloaded and the coolant carried in and out. Yet the shields must be not only radiation tight, but air tight, since air exposed to the radiation of the pile would become radioactive.

Johnston Appointed Public Gov. of NYSE

Emil Schram, President of the New York Stock Exchange, has announced the election of Gale Faulconer Johnston as a Public Governor of the Exchange. Mr. Johnston was nominated by Mr. Schram. Mr. Johnston fills one of two vacancies; John Q. Adams and C. Robert Palmer, previously Public Governors, having retired.

Mr. Johnston is President of Mercantile-Commerce Bank and Trust Company, of St. Louis, which office he assumed in 1947. He was previously Second Vice-President of the Metropolitan Life Insurance Company, in charge of all group sales activities. He became associated with the Metropolitan Life Insurance Company in 1925, following graduation from Princeton University. Before entering Princeton, Mr. Johnston was active in newspaper work in Missouri.

He was born 50 years ago, in Jonesburg, Missouri. His directorates include Metropolitan Life Insurance Co., Laclede Power & Light Co., Portland Cement Co., and St. Louis Public Service Co.

Joe McAlister Forming Own Securities Firm

GREENVILLE, S. C.—Joe McAlister is forming Joe McAlister Co., with offices in the Woodside Building, to conduct a securities business. Mr. McAlister was formerly Vice-President of McAlister, Smith & Pate, Inc.

E. L. Nye 40 Years With Freeman & Co.

On July 1, 1949 Ernest Lewis Nye, one of the senior partners of Freeman and Co., 61 Broadway, New York City, equipment trust bankers, will round out his fortieth year of association with that firm and his forty-fourth year in the New York financial district.

Ernest Lewis Nye

Mr. Nye commenced his business career with the Guaranty Trust Co. of New York on July 1, 1905 and he resigned from the Guaranty Trust Co. on July 1, 1909 to enter upon an uninterrupted association with Freeman & Co. which still continues. Starting as a bond salesman, he was admitted to a partnership in Freeman & Co. on Feb. 1, 1914. While he was with the Guaranty Trust Co., he became interested in the financing of railroad equipment and, after joining Freeman & Co., he became extensively recognized as an authority on matters relating to car trust obligations. In addition to a number of magazine articles, he is the author of: "Equipment Trust Bonds," published in 1911, "More About Equipment Bonds," published in 1913, and "The Problem of Financing Equipment," published in 1924.

During the Interstate Commerce hearings on the subject of competitive bidding for railroad equipment trusts brochures written by Mr. Nye, giving the case for and against such competitive bidding and introduced into the direct testimony by the late Otto H. Kahn, created widespread discussion. Mr. Nye is credited with much of the expansion of financing for privately owned car lines, bus lines, and tank ship companies, his firm having underwritten many millions of such securities, including loans for Union Tank Car, Sinclair Consolidated Oil, Beacon Oil and Transport, Chicago Motor Coach, and other leading companies.

He was also one of those instrumental in 1925 in the organization of the North Western Refrigerator Line which since then has furnished the refrigerator car equipment for the Chicago & North Western Railroad and of which company he is still a member of its board of directors. In 1926 in association with the American Car and Foundry Co., there was formed the Shippers Car Line Corp., third largest operator of tank cars in the United States, of which company he is now Chairman of the board of directors.

His present directorships in addition to those mentioned include memberships on the boards of directors of American Car and Foundry Co., American Car and Foundry Investment Corp., North American Car Corp., Western Refrigerator Line, L. C. L. Corp., Kansas City Car Co., and Acme Tank Car Co. He expects to continue his active interest in railroad equipment matters and is particularly active at this time in efforts being made to standardize and modernize present day freight and passenger equipment.

Robt. Strauss Transfers

CHICAGO, ILL.—As of July 1, Robert Strauss & Co., Board of Trade Building, will transfer their private wire to the offices of Strauss Bros., Inc., 32 Broadway, New York City, which firm will be their correspondents in New York.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues strong and active because the demand for Treasury obligations is substantial and an expanding interest is being shown in these securities as a result of the statement by the Federal open market committee. . . . Evidently, there will be less selling of Treasuries by the Reserve Banks and lower reserve requirements and easier credit seems to be in the making. . . . The eligible obligations are the bellwethers of the market, with the partially-exempts giving the taxables competition for leadership. . . . The 1952 eligible tap bonds continue to dominate that group despite the fact that considerable attention is now being given to the Victory bonds. . . .

Although some backing and filling around present levels would not be unexpected, the technical position of the market is strong because more funds will be available for investment in governments. . . . Federal is still supplying a few of the needed issues and non-bank investors are sellers in a minor way of the eligibles. . . . Nevertheless, because of changed conditions, the whole market is expected to seek higher levels. . . .

INVESTMENT SUGGESTIONS

In answer to inquiries from out-of-town banks as to which of the eligibles should be purchased, with funds that will be available because of lower reserve requirements, some of the large money center institutions have put forward the following ideas. . . . It is being pointed out that where income is needed, the most attractive obligation is the 2½% due 9/15/67/72. . . . Although this is the longest maturity in the bank list, the 18-year Treasury obligation is not considered too long for a substantial part of these banks' funds. . . . Most of the inquiring institutions evidently have sizable enough positions in the shorter maturities to warrant purchases of the most distant eligible taxable security. . . .

Also, it was noted that the 2½% due 9/15/67/72 is the only eligible obligation that gives a yield of more than 2%, which means practically no choice, when it comes to the maintenance of earnings. . . . Accordingly, the opinion is expressed that the 2½% due 9/15/67/72 should be considered for purchase by the outlying institutions, when putting newly available funds to work in the government market. . . .

PRICE APPRECIATION PROSPECTS

Along with these thoughts on the 2½s due 9/15/67/72 for new funds, goes the opinion that other eligibles, namely, the 2½s due 1956/58 and the 2¼s due 1956/59 could be considered for switching purposes with the proceeds likewise being invested in the longest eligible taxable obligation. . . . Income would be increased by this swap and premium would be reduced, especially in case of the 2½s due 1956/58. . . . If the market should decline, it is believed that all of these issues would move in about the same ratio. . . . On the other hand, the possibilities of price appreciation appear to be much better in the 2½s due 9/15/67/72 than in the shorter maturities. . . .

It is also felt that the 2¼s due 1956/59 and the 2½s due 1956/58 would be more vulnerable to a note issue or intermediate-term obligation than would be the longest eligible taxable obligation. . . .

INELIGIBLE 2½s IN DEMAND

Savings banks continue to let out not too sizable amounts of the 2½s due 9/15/67/72, with part of the proceeds going into the longest tap bonds. . . . The spread between these securities is about as wide as it has been in a long time and this makes more attractive the swap from the banks into the restricted obligations. . . . The 2½% due 6/15/62/67 still appears to be the most sought-after issue in the ineligibles with sizable acquisitions being made in this obligation. . . .

This bond is the first of the tap obligations to become bank-eligible and the eligibility-conscious buyers now seem to have given preference to this security over the 2¼s due 1959/62. . . .

PARTIAL EXEMPTS HAVE FOLLOWING

The partially-exempts continue to be in good demand with the buying coming from large banks in the big money centers. . . . Despite profit-taking because of the high level of prices, which has increased the supply slightly, these obligations have found a ready home. . . . As usual the 2¾% due 1960/65 is the leader with the 2⅞% due 1955/60 not far behind. . . . Funds that might have been put in fully-tax exempt obligations are being invested in the longest partially-exempt Treasuries, because of the greater marketability of the government securities. . . .

Good-sized blocks of the longer taxable eligible bonds are being taken by deposit banks in the Southwest and the Pacific Coast area. . . . Not so substantial purchases are also being made by these institutions in the partially-exempts. . . . They are sellers of the nearer-term obligations. . . .

LOAN VOLUME INCREASE SEEN

Certain followers of the money markets believe the loan curve will flatten out shortly, after which there should be some recovery in borrowings. . . . This would take part of the demand out of the eligible market. . . . However, the extent of the effect upon the government market will depend upon the amount of loans, which are not expected to be too sizable when they do come. . . . It is believed that the loan recovery when it does materialize will affect the shorter-term Treasuries more than the longs, because the deposit institutions do not want to part with their higher-income issues.

Reynolds Adds Two

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C. — Charles A. Blackburn, Jr., and Walter E. Gladstone, Jr., have been added to the staff of Reynolds & Co., Reynolds Building.

With Abbott, Proctor And Paine

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Alfred B. Fitsgerald is with Abbott, Proctor & Paine, 212 South Tryon Street.

Securities Salesman's Corner

By JOHN DUTTON

The other evening quite by accident I was given an excellent sales presentation by a friend of mine that I would like to pass along to all of you who are looking for a shortcut to selling balanced mutual funds. Most sales presentations are too long. Often the gaps between attention, interest, desire and action are labored. Every surplus word which could be avoided tends to dull the interest of your listener. If a court stenographer took down the average sales presentation verbatim, and then gave it back to those of us who inflicted the original punishment on our prospects, it is quite likely that we might not believe that all those extra and unnecessary words ever came out of our own mouths. Creative selling is an art wherein the correct choice of words will do more to bring about the desired result than any other factor. Where one word will do the work of several then use it—here is a sample of a concise presentation based upon the principle of brevity:

Mr. Jones, have you ever wondered why some great fire and casualty insurance companies have paid dividends for over a century, and also our largest estates, universities and trust companies have been successful, even in periods of depression, when it comes to their investments? And have you also noticed that so many individuals, especially the smaller investors (the ones who have worked the hardest to build up their capital) lose money on their investments? A study of this situation shows that almost 90% of successful business and professional men have lost money on their investments. (Prospect will usually agree.) (If he doesn't say something, ask the question, "Isn't this your observation, Mr. Jones?")

The answer to the success of the insurance companies, trust funds, etc., is due to certain correct principles which they apply to their investments. For instance they use the principle of hedging. When common stock prices are high they own less common stocks (usually about 40% of their total investments) and when common stock prices are low they buy more common stocks (usually about 60% of their total funds). In other words, they divide their assets into bonds, high-grade preferred stocks and other fixed value investments, and they vary the amount of common stocks which they own in accordance with the price level of these fluctuating assets. Of course, in addition to this sound method of protecting their total investment, they constantly watch over the stocks which they own. They have investment experts that spend their full time supervising the securities which they hold. This way they protect the quality of their investments from depreciating. Last but not least they also diversify their holdings by owning a complete cross-section of representative investments in the very soundest companies. They do not gamble on speculations, futures, hopes and untried ventures. They always have income from their investments under every sort of business conditions. Even during the country's worst depression years, these great institutional investors enjoyed excellent income from their stocks and bonds.

Until recently, about 20 years ago to be exact, the average investor had to go it alone. Most people as you know are forced to rely upon a few securities for their total income. Many times they buy at the wrong time and sell at the wrong time. Unlike the successful investors which I have mentioned, they do not keep a balance between cash, savings accounts, government bonds, high-grade preferred stocks, high quality short-term bonds, and their common stock holdings. Isn't it true that most people spend most of their time making their money and only a few hours a month (if that much) are devoted to watching over their investments after they buy them?

Today however, it is possible for an individual with even a modest investment program to enjoy all the safeguards and advantages that have proved to be 100% successful for some of our great insurance companies, universities, etc. Here is the way it works. Then explain your fund briefly, asking questions as you go along, such as, "Is that point clear to you, Mr. Jones?" "Doesn't that sound like common sense to you?" "Am I explaining this clearly to you?"

If you can show your prospect how to stop his losses, if you can show him how he can enjoy the same safety as the insurance companies provide for their stockholders and policy holders, and if you can show him an average return of 5% on his money you should close a lot of business. This entire sales talk should not consume over 30 minutes from opening to close. If you analyze it you will find that you have presented the following sound ideas:

(1) There are successful investors.
(2) They follow a tested program which insures successful results.
(3) Most individuals lose money on their investments.
(4) The reasons why this is so.
  (a) Lack of balance between nonfluctuating and fluctuating investments.
  (b) Lack of adequate diversification.
  (c) Lack of supervision.
(5) You can be as successful as the insurance companies, institutions, universities, etc.
(6) Here it is. Balance, adequate diversification, constant supervision.
(7) The close. Why not follow the road that has proven successful? Why continue the same policy which only leads to losses and depreciation of your assets? Obtain 5% and have peace of mind. Hire experts to help you with your investments the same as the insurance companies, etc. This is the sure way to investment success. Convenient, and profitable.

It Is Their Business, but . . . .

"I have for some time felt, with growing apprehension, that this bill (for nationalization of the iron and steel industry) for lovers of freedom, marks the parting of the way.

"I feel that with even the present control over the whole of our national life, which is at present legally in the hands of the Government, control has reached dangerous proportions, especially if that Government itself is ever controlled by irresponsible, malicious or revolutionary persons.

"The road on which we are traveling leads to a precipice at the foot of which clearly emerges the totalitarian State."—Lord Milverton in announcing his departure from the Labor Party.

The political forms or principles the British people chose for themselves are, of course, their own affair. They have, however, persuaded us (or did we persuade ourselves?) that somehow we must underwrite the continued existence and the vigor of their economy. The thoughtful American will therefore feel comforted that such men as Lord Milverton exist in that troubled land.

Ralph Hendershot Calls for More Efforts by Securities Underwriters

Financial editor of New York "World-Telegram" cites successful sale of Texas Union Oil Corporation's common stock by Stewart J. Lee & Co. as illustrating equity capital can be obtained even for small concerns, if underwriters are "willing to fight for it."

In an editorial article in the New York "World-Telegram" on June 7, Ralph Hendershot, financial editor of the paper, cited the recent successful sale of 800,000 shares of the common stock of the Texas Union Oil Corporation by the underwriters, Stewart J. Lee & Co., New York City, as an indication that venture capital for small as well as large concerns will be forthcoming, if underwriters put forth the necessary efforts. Speaking of the transaction, Mr. Hendershot said:

Ralph Hendershot

"This is a small operation as business goes today but it is significant, coming at a time when big business leaders are complaining about the lack of venture capital. It suggests that even the more speculative stock issues can be sold if underwriters get out and plug.

"Nor is this deal an unusual one. Many small security dealers have been raising money for their clients — money which could not have been obtained if they had not gone out and literally rung doorbells. And the cost of this money has been high, compared with the financing costs of big companies. The main point is, however, it was obtained and it was put to work.

Company Has Grown

" 'Beginning less than a year ago with one well on a 25-acre lease,' the letter from Mr. Long (President of Texas Union Oil Company) goes on to say, 'the company has progressed to a point where it now has more than 6,000 acres under lease in Louisiana, Texas and New Mexico. And it now has seven producing wells in Louisiana and one in Texas and plans to drill 10 more wells this summer.'

"The chances are these wells are not big producers, but they show that the pioneer spirit is not lagging in industry. People still stand ready to go out and beat the bushes in search of new wealth if they are provided the wherewithal to do so.

"But on the New York Stock Exchange stock prices recently established a new low for many months and industry is asking the public to dig down for more venture capital. And in most instances, the demands do not come from wildcatters, as was the case with this oil company.

"It was of the greatest importance that our big corporations were obliged to go into debt and withhold funds from stockholders in order to expand their operations during the last few years to meet the demands of the public for goods and services. They were able, it seems, to get but very little money through the sale of common stock.

Public Is Not at Fault

"Seemingly the public is not at fault, as might be supposed. Proof of this is available in the fact that a small, relatively unknown oil company was able to get money for drilling purposes.

"This leads to the conclusion that the big underwriting houses are not putting forth the efforts necessary to keep industry supplied with capital. It may very well be, as they claim, that they cannot afford to do a bell-ringing job, but, with the welfare of the nation's economy at stake, it is about time they did something about it. Certainly they need 'take-home' pay, too, but they should be willing to go out and fight for it."

National Banks May Underwrite Bonds Issued by World Bank

Both the House and Senate, on June 21, approved the bill to enable national banks and state banks belonging to the Federal Reserve System, if permitted by state laws, to underwrite and deal in securities issued or guaranteed by the International Bank for Reconsurtudtion and Development. The bill also permits the Bank to sell securities without filing registration statements and prospectuses with the Securities and Exchange Commission, but gives the SEC authority to demand registration statements if it decides an exemption is not in public interest. The Bank is also required to file the usual annual reports with the SEC.

Chicago Stock Exch. Standing Committees

CHICAGO, ILL. — Homer P. Hargrave, recently reelected Chairman of the Board of Governors of The Chicago Stock Exchange, announced appointment of the following standing committees, to serve for the ensuing year:

Homer P. Hargrave

Executive — Reuben Thorson, Chairman, Paine, Webber, Jackson & Curtis; Walter J. Buhler, Vice-Chairman; John R. Burdick; Ralph W. Davis, Paul H. Davis & Co.; Charles R. Perrigo, Hornblower & Weeks.

Admissions — George F. Noyes, Chairman, Illinois Co. of Chicago; Robert A. Gardner, Vice-Chairman, Mitchell, Hutchins & Co.; John W. Billings; Carl J. Easterberg, Riter & Co.; Robert F. Schenck, Jr.

Finance — Norman Freehling, Chairman, Freehling, Meyerhoff & Co.; Leonard J. Paidar, Vice-Chairman, Goodbody & Co.; John W. Billings; Sampson Rogers, Jr., McMaster Hutchinson & Co.; Frederick M. Tritschler, First Boston Corp.

Floor Procedure — Chancellor Dougall, Chairman; John R. Burdick, Vice-Chairman; August I. Jablonski; Earl F. Nietzel, Webster, Marsh & Co.; Frank E. Rogers; Sampson Rogers, Jr.; William H. Sills, Sills, Fairman & Harris.

Judiciary — Sidney L. Castle, Chairman, Carter H. Harrison & Co.; Hulburd Johnston, Vice-Chairman, Hulburd, Warren & Chandler William A. Fuller, William A. Fuller Co.; Chapin S. Newhard, Newhard, Cook & Co.; Edwin T. Wood.

New Business and Public Relations — John W. Billings, Chairman; George F. Noyes, Vice-Chairman; Andrew M. Baird, A. G. Becker & Co.; Irving E. Meyerhoff, Freehling, Meyerhoff & Co.; Edwin T. Wood.

Stock Listing—Charles R. Perrigo, Chairman; William H. Sills, Vice-Chairman; Walter J. Buhler; John J. Griffin; Reuben Thorson.

James E. Day was reelected to the office of President, and the following officers were reappointed: Raymond M. Day, Vice-President; Carl E. Ogren, Vice-President & Secretary; Walter R. Hawes, Treasurer; George J. Bergman, Assistant Secretary; Martin E. Nelson, Treasurer Emeritus.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made June 21 by M. G. Newcomb, New York fiscal agent for the banks. The financing consisted of $28,395,000, 1½% consolidated debentures dated July 1, 1949, due Jan. 3, 1950, and $57,775,000 1.55% consolidated debentures dated July 1, 1947 and due April 3, 1950. Both issues were placed at par. Of the proceeds $62,430,000 will be used to retire a like amount of debentures maturing July 1 and $23,740,000 is "new money." As of the close of business July 1, 1949, the total amount of debentures outstanding will be $622,-180,000.

Marshall Plan Will Not Sap Our Strength: Barkley

Vice-President tells N. Y. State Bankers we propose not only to remain strong, but also to grow stronger. Says we should avoid economic extremes and praises Employment Act of 1946.

Addressing the New York State Bankers Association at Spring Lake, N. J., on June 18, Vice-President Alben W. Barkley denied that there is danger that Marshall Plan aid to Europe and Asia will sap our strength or exhaust our economic resources. "Some of little faith tremble at the magnitude of what we have undertaken," Mr. Barkley stated in his talk. "They fear that our strength will be sapped and our treasure, if not our lives, lost in the enterprise. But the spirit of the pioneer is not dead among us. Men of vision and of confidence in the future are not lacking, I may say, in either of our great political parties. We propose not only to remain strong, but to grow stronger. We are not so lacking in will or wit as to let this nation be wrecked by reckless squandering of our resources—human, material, or financial.

Sen. Alben Barkley

"We sometimes forget, in our day-to-day preoccupations and occasional political debates on this or that policy, how massive is the accumulated strength of this nation and how well fortified it is against the dangers of economic collapse."

Continuing his address, Mr. Barkley remarked:

"There were pessimists who scoffed at the idea that we could accomplish even a small part of what we set out to do when war came. The most erring of pollsters were models of accuracy compared with those—some of them in public life and aspiring to higher office—who so badly underrated our capacity to build airplanes and our ability to bring production, underestimated even by the optimists, so swiftly to unprecedented peaks. We have the industrial equipment today, much of it converted to peacetime uses. It was not blown up by the enemy. We have, despite our tragic loss of life, a far greater manpower than ever, and far more men trained in the industrial skills. Indeed, what some seem to fear is that we have too much capacity, too great an ability to produce the goods and render the services that contribute to the wealth and progress of the country. It is true that we have been running at a capacity far beyond anything we have ever before known. It is true that inflationary pressures have fanned the fires and stoked the furnaces. Some who look backward measure today by yesterday. We could better measure tomorrow by what we were able to accomplish in war and in the swift reconversion to peace. It has dumbfounded the world and confounded the skeptics.

"I do not wish to imply that we can be complacent. More than ever we must be alert to hold our course between economic extremes. We cannot be weak at home without being weak abroad. We shall be strong abroad, and able to use our strength in helping others back to economic and political health, only if we are strong at home. I do wish to say, however, that we sometimes fail to balance the assets against the debits on our national ledger. Because our economic machine, under the impetus of recordbreaking conditions, has been running at a dizzy speed, we are inclined to be alarmed rather than relieved if the pace slows down towards a more moderate, sustainable rate.

"The Employment Act of 1946 is one of the great legislative landmarks of our economic history. It is a mandate and a guide for government policy. Its objective is stable economic progress. And that means the highest levels of employment and production that can be achieved and maintained. It means that policy and action should be directed against excesses either of the upswing or the downswing of economic cycles. Because of the intense inflationary pressures which are the inevitable consequence of war, national policy has sought to restrain, if it could not altogether prevent, inflation. Conversely, the mandate calls for policy and action to restrain, if it cannot altogether prevent, the opposite swing of the pendulum to deflation.

"It is easy to understand the anxiety of the businessman whose sales and profits have been phenomenal, and who finds, as the more urgent demands are satisfied and the strongest inflationary pressures are abating, that the speedometer needle is dropping back. But he has known all along that the postwar speed has been abnormal, that it could not, and, in fact, should not be sustained. It is understandable that he is wondering how great the slowdown will be. Yet he knows that the economy is not going to stall. And he knows that there are no insuperable, or, for that matter, very formidable obstacles on the road ahead. Individually he may not find the reduced speed as exhilarating, but he knows in his heart that it is healthier for him and for all of us. What we have sought is to curb the reckless, dangerous speed—to adjust to a pace that can be steadily sustained and accelerated safely as technological knowledge and improvement make it possible. What many believe, and all of us should fervently hope, is that we are levelling off to a safer, sounder pace. That is what we have all sought. There is no reason for deep pessimism if we have succeeded. The danger is not that we will come to a standstill, but that, through unreasoning apprehension, we may prematurely press down the accelerator again.

"We would do well to consult the road map—it is very reassuring. Not only do we have the greatest, most modern equipment for industrial and agricultural production in history and in the entire world, not only do we have the best trained, the highest skilled manpower, but we have the soundest banking and financial structure in our history. Even the perfectionist, who can find flaws in anything, would have to admit that the banking and credit structure was never less vulnerable, never more solidly founded. Total loans and investments of all commercial banks amount to some $115,000,000,000, not far from three times the 1939 total — but more than half of the total is invested in government securities. And no one will deny that the American dollar commands the confidence of the entire world, including the areas behind the Iron Curtain.

"The volume of our money supply—which means basically bank credit—was excessively swollen by the exigencies of war finance. It has been excessive ever since the war. Because more dollars have been bidding for goods and services than there have been goods and services to buy, prices have risen. That is the essence of inflation. There would be ground for apprehension if this condition were to go on unchecked. Through taxation and other restraints, it has been possible to moderate the continued growth and the rate of use of the money supply, pending the time when the supply of goods and services could come into closer balance with it.

"If, as is to be hoped, we are witnessing the long-desired leveling off, then we are approaching the far healthier condition of a more natural, competitive market, in which lower prices, better quality, better service, and good salesmanship once more are dominant. This nation owes its unparalleled growth and strength to the competitive spirit and to energetic enterprise. Its return is to be heartily welcomed, not feared. There will be some economic casualties—among some speculators, among some who have taken undue advantage of abnormal public demand. I am told that the number of dealers in one much sought after article has quadrupled since before the war. Some of them may have to go back to work when business is restored to a healthier competitive condition.

"The best thing that can happen for the country, for all of us taken in the aggregate — and allowing for some individual hardships—is to go through the ultimate inevitable readjustment necessary to bring about better balanced relationships within the economy. We have suffered some severe distortions and dislocations, as a result of the abnormal conditions generated by war. Many groups, especially the fixed income groups, have been priced out of the market. If the spread between the incomes of those who have been victimized by inflation, and those who have managed to keep pace with the rising cost of living or to profit from inflation, were to be widened, it would be increasingly more difficult, or impossible, to carry on business between them. That is why government policy has been aimed at preventing further widening of the breach and towards a return to a relationship that can be sustained. On that basis we may look ahead confidently to a steadily expanding economy and a higher, more widely enjoyed, standard of living.

"It would be a serious mistake, in my judgment, to postpone necessary readjustment. It would be a mistake not to arm the Administration with sufficient standby means of arresting a renewed upward spiral that would accentuate the distortions and make ultimate readjustment more difficult. It would be a misreading of the economic portents to mistake healthy readjustment for dangerous recessions. We have never before had an economy so well buttressed against any excessive downswing. There is no indigestible mass of speculative bank, stock market, or real estate credit to be overcome today, as there was in the early thirties. We have enormous backlogs of needs and wants to fill, in housing, automobiles, and countless appliances. We have scarcely begun to make the public improvements, set back by the war, which must ultimately be made by States and municipalities, let alone the Federal Government. The national budget is not being criticized as too penurious in its outlays for foreign aid, for defense, and for its manifold other purposes. All the criticism that I have seen—no meager amount—is the other way, notwithstanding the President's herculean efforts to pare the budget to the lowest possible levels consistent with our national safety and our obligations to our own citizens. In any event, viewed merely from an economic standpoint, the volume of government expenditures is a tremendous sustaining force."

Railroad Securities

Says 40-Hour Week Creates Emergency For the Railroads

Gustav Metzman, President of New York Central asserts shorter work week, along with 7c per hour pay rise, increases basic pay rate of shop mechanics 25% just at time when rails are feeling impact of declining business.

The mandatory inauguration on Sept. 1 of a 40-hour week with 48 hours' pay for nearly a million non-operating employees is creating "one of the greatest emergencies in the entire history of railroads," the New York Central's President Gustav Metzman declared at the annual meeting of the Mechanical Division of the Association of American Railroads in Chicago on June 27. Mr. Metzman said the situation "has made the production of much greater efficiencies imperative to our very survival as an industry."

Gustav Metzman

"This shortened work week, resulting from the recommendations of a Presidential emergency board, was inaugurated in most other industries at a time when few employees were working more than 40 hours a week," he continued. "It also was introduced gradually—with a 44-hour week the first year, a 42-hour week the next year, and then a 40-hour week the following year. In sharp contrast, the railroads are required to place the 40-hour week in effect in a single step.

"Including the seven cents an hour raise effective as of last Oct. 1, the 40-hour week will represent an increase in the basic day rate of shop mechanics, for example, of approximately 25% in less than a year.

"Worse yet, the change to the 40-hour week, with the burden of additional employment that it imposes, must be made in a period when we already are feeling the disturbing impact of declining business. Thus we all are faced—little more than two months hence—with one of the greatest emergencies in the entire history of railroads.

"I have stated the immensity of this problem, not so that we would feel sorry for ourselves, but so that we would be freshly reminded of the immensity of the challenge with which we are faced, of the problem which we must lick."

The Central's president declared that "we are going to have to do more constructive thinking, and in a shorter period of time, than we ever have done before." He suggested a number of supervisory approaches to the problem of greater productivity, including reviewing, "with a critical eye, every procedure, every operation —regardless of how long we have done it that way," and went on:

"We must utilize every modern supervisory technique—and there are literally scores of them available—in educating our employees to the necessity of doing a good day's work, every day, and we must personally see that they actually do this. In the hearings which resulted in the Presidential emergency board's findings for a 40-hour week with a 48-hour pay, the unions' national representative made much of the argument that through fewer working hours, employees would be fresher and thus would produce more work per hour.

"Our efforts to cope with the 40-hour week problem can succeed only if our employees respond to the obligations to do more and better work. With all the persuasiveness at our command, we must appeal to the local union representative to back us up, thus backing up the greater productivity promises of the national leaders."

Mr. Metzman pointed out that "this task which you have is a big job; indeed, I cannot recall when we ever have faced a greater job in such a short period of time. I am confident that the mere presence of a hard task will not make us falter, but rather, will increase our determination to succeed. It has been said that 'we would accomplish many more things if we did not think of them as impossible.' We have accomplished the seemingly impossible before, and I have faith that in this emergency, just as in those of the past, railroad men will demonstrate once more the stuff of which they are made."

Forecasts Increase in Optical Goods Sales

M. H. Stanley, President of Univis Lens Co., tells members of the industry's Distributors School at Columbus, ophthalmic products industry is exception to trend.

A dispatch from Columbus, Ohio to the New York "Herald-Tribune" on June 26 reports that according to M. H. Stanley, President of Univis Lens Co., Dayton, Ohio, the United States optical industry will probably show a sales increase of 15% over 1948, the previous record year, when a $400,000,000 volume of consumer sales was made.

Mr. Stanley appeared at the opening of the industry's first Distributors School, adjacent to the campus of Ohio State University, said the ophthalmic products industry is one of the few exceptions to the trend of most businesses, which are facing a decline in profits and volume.

Mr. Stanley urged the industry to develop better merchandising techniques, make the public more conscious of the need for eye care and provide better equipment for eyesight specialists, and develop an intensive research program.

A. E. Ames Co. Makes Official Changes

A. E. Ames & Co., Inc., 2 Wall Street, New York City, announces that H. R. Tudhope, formerly President, has been appointed to the office of Chairman of the board. J. B. How, formerly Vice-President will succeed Mr. Tudhope as President. A. G. Curry has been appointed Executive Vice-President, and W. M. Alley has been appointed Vice-President of the company.

The board of directors consists of Mr. Tudhope, Mr. How, F. J. Coombs, C. E. Abbs, and W. B. Macdonald. All of the directors and officers have been associated with the company since its inception.

Building a Successful Sales Organization

(Continued from page 4)

business set-up where the new salesmen were gradually absorbed into the firm for about six weeks or so, and then educated in a three-months' training school.

Subsequently the firm provided prospect leads. When out calling, at the mere mention of the name of your important house, the receptionist was supposed to open the door; and if you worked for Halsey, Stuart, or the National City Company, or Dillon Read, or Harris Forbes, you were supposed to get by all the doors into the inner sanctum of Mr. Big, himself.

Now, if we go back beyond the 1920s just a little bit, say about 1900, the story of investing was pretty much what? If a lawyer invested for a widow, it meant the purchase of a local mortgage. And if a businessman had some extra money, he bought an interest in a planing mill or a lumber yard or a small commercial building on Main Street. Our railroads were largely financed abroad. There were only a few railroad securities bought in this country. At that time only a few stocks were purchased here on the North Atlantic seaboard. I remember hearing William A. Parker of Boston talk about going out to sell Incorporated Investors in 1927 through Nebraska and Iowa. He said the people there hardly knew what common stocks were. We bought government bonds, Liberty 4¼s during World War I; and the nation was supposed to have been made "securities-minded" as a result of the patriotic purchase of bonds.

It is that business of the 1920s that has "jelled" in the minds of most people in our trade—jelled with us just like earlier customs jelled for Mr. Hewlett. All of us resist change, we persist in looking back to the 1920s, wanting the business to continue even into the 1950s as it used to be.

"Change" Is Law of Investment

The first law of investing is "change." Then why not recognize that change has affected the methods of conducting this business? We had a securities price decline from 1929 to 1932 that dented an awful lot of enthusiasm for continuity of the investment business. We had another contraction from 1937 to 1938. Do you remember the comment then? Many of the nice young gentlemen from the Graduate Schools of Business Administration then working for investment houses originated the comment "Back to Industry." They left us for other fields. After 1938, the bright young men from universities placed the investment houses on the non-preferred list.

Must Expand Field

The investment business has gone through some horrible growing pains and some terrible transition periods. But are we willing to face our problems today—to Adjust or Perish? We can't keep on selling the wealthy people alone. We can't keep on selling high-grade bonds to banks and insurance companies, and make any money on the basis of present-day overhead.

If we take the whole business on the basis of external factors and internal factors and try to understand what makes it tick, and if we are willing to do that on an unprejudiced basis, we will come out with some strange answers.

Regarding the exterior factors, we must plan as of today not as of the 1920s. Is this a desirable field to be in? Is there any money in it? All of us in this room, thinking about the investment business, have one common objective, and you know what that objective is—the dollar sign.

When I became a member of a history class in a New Oreans high school the professor said: "Why do you boys want to take this course?" One chap answered: "Oh, Professor, everybody knows you, and I want to be in one of your classes." Another boy was asked: "What do you want to be in this class for?" The answer was: "Well, my father is quite a student of history, and I want to learn about the Romans and the Greeks." And to another he said: "What about you?" and finally the honest or realistic answer came: "I want five credit points toward graduation." (Laughter.) We are in in this business to make money, fellows, and let's not get away from it.

Maybe this is the wrong industry. Maybe now is the wrong time to be here. What is the government's attitude toward "Wall Street"? What about the trend to the "left"? Are tax laws a hindrance? Do our prospects—our market—have buying abilities? Do you see an advantage in being an institutional bond salesman?

Do you want to be a registered representative with one of the New York Stock Exchange member houses? Do you want to be with a firm that is a fiscal agent for many business organizations and foreign governments? Do you see an advantage in being with an over-the-counter house that retails underwritings and unlisted securities? Do you want to be with a house which has the "know how" on mutual investment funds? "Fortune Magazine" says there are 4,000 dealers selling funds. Retailing these funds is a personalized business, it's specialty selling. There are not many huge organizations like Merrill Lynch, like Harris Upham, and like Carl M. Loeb, Rhoades. The firms are of varying size, but mostly they are small. So what size and type of house do you wish to consider?

What Kind of Personnel?

Do you want to have a "quality" type personnel and a quality type business where you are dealing—as we say around the rest of the nation—with the Cabots and the Lodges? Or do you want to have a personnel qualified to deal with the "average American"? What kind of personnel are you looking for? The fellows I want as retail salesmen are just "plain Joe's," regular guys, and I have my reasons. What is your objective?

"Mass production." I wonder if that isn't the salvation of our business, and I am going to touch on that later. You have a great opportunity to contribute to the body politic, in the large sense. I don't know any way in which you individually could fight Communism better than to join in with the potent and active foes of Communism, the Church groups and the American Legion—you yourself converting a lot of people to "ownership" type securities; so that they may have a stake or a part-ownership in American industry; a partnership rather than a creditor position. Ownership Plan—stocks. Rather than the Rental Plan—savings deposits and bonds.

Do you remember the story of the valet who frequently attended Communist meetings, and came home one night to his wealthy employer with this comment: "No more Communist meetings for me. We had a marvelous speaker, and he said all the wealth in the United States, if divided up, would make $4,221 available for every man, woman and child in America. Boss, I have $5,000 saved up, so there is no incentive for me to be a Communist." He had more than he was going to get through the party. We can contribute a great deal to our nation, to the future of the nation, and our own welfare, through selling the plan of part-ownership of American industry.

Promotion and Advertising

Another exterior factor to consider is promotion and advertising. What are you and your firm going to do about this neglected item? Are you going to sit like an ostrich with your head in the sand, do nothing, and say it is somebody else's problem? Almost everybody is knocking "Wall Street," knocking State Street, and South Spring Street, and La Salle Street. What are you going to do about it?

Will you organize speakers' bureaus to talk to Rotary groups, and Kiwanis groups, and Parent Teachers' Associations, and women's organizations? Will you try to get spots on the radio in order to tell our story? I think this is your job, yes, my job, and yet nobody has hardly lifted a finger.

Our Selling Efforts "Musclebound"

Take a look at the Sunday edition of the New York "Times." Our selling efforts seem to be mentally "musclebound." We advertise to ourselves! Just read the advertising in Sunday's New York "Times," all about "diversification" and other five-syllable words which are common only to men in our trade; investing terms which the average American, the prospect, does not understand. So he turns the pages to where he can find out what happened in the fourth race at Arlington or Santa Anita—he can understand the language there. He can understand the articles about the next hunting season, what kinds of birds will be in season and between what dates—no doubletalk, no mystery. But our investment advertising and public relations programs have not been inviting or simple; frankly, they've been "stinko."

Realize that our industry lives in a goldfish bowl; everything we do or say is printed and published. Ours is an inexact science. The lawyer who loses a lawsuit always has a prejudiced judge to complain about, or the opposition "used some filthy means"—so he can always alibi. And so can the doctor; he is another man with an inexact science, but he buries his mistakes. Brother, our mistakes are published.

We have a major public relations job to do, and we also have a tough job to do on ourselves—to try to distribute the right type of investments to our buyers in the light of their individual requirements.

Internal Factors

Let's get to the "internal" factors. We are in this business to make money, just like a fisherman is out for a fine catch. Leo Cherne has written that American business is made up of four elements: Men, Machinery, Materials and Money; the four Ms. Two of them: Men and Money, are needed in every enterprise.

In a firm, all the executives should act as a team, yes, like an athletic team. They all have their parts to play, and they have to play them first of all as men of intelligence, not necessarily Phi Beta Kappas, but they have to be able to think clearly on company problems, and be open-minded.

Second, our executives in this industry must be emotionally stable, and be consistent in their management policies. They must leave personal feelings out, and be like a Rock of Gibraltar in tough times like 1932 and 1938 and 1949.

Third, our executives should be men who have an understanding of the Human Equation; approachable men, likeable fellows. The head of the largest firm in this field is popularly called Charlie Merrill — he's no stuffed shirt. They must have the ability to make their salesmen feel they belong on the team. They must understand the motives and desires, and what makes the other man click.

Fourth, our executives must have the ability to organize and to direct, to simultaneously handle many different programs—advertising, and sales, and personnel problems.

Fifth, they must be able to delegate authority, to have able sales managers who will assign active customer accounts, without fear of comeback. These sales managers have got to work out programs that will pay; pay money for the salesman as well as for the firm.

Most of the problems of sales managers stem from the most horrible "blind spot" in American industry—the gap between Responsibility and Authority. All too frequently a sales manager is given the responsibility for sales production, but little authority to accomplish it. This gap occurs frequently; you and I have seen it time and again — responsibility versus authority. Do the firm's owners back up the sales manager? Do they cooperate with him? Or do they come in and kibbits and ruin his long-range programs? He is working with delicate material, Manpower. Will the head of the firm take one of the salesmen out to lunch and tell him something different from the working conditions outlined by the sales manager; then reach into his pocket and give forth a few extra prospect leads? When a "position" already has been announced in a specific security, will the head of the firm allot a favorite salesman an additional 250 shares? I have seen these things happen, and most of you have. There is no sound reason why our business can't be well organized and soundly conducted like other businesses.

Sales Manager's Recruiting Job

The sales manager's job of recruiting manpower is applied common sense. First, there is an understanding of the selling job to be done. Whether it's for "all-around" selling or specialty sales work; such as institutional securities, listed commission business, over-the-counter, or mutual investment funds.

In order to build a sales department along the desired lines it's naturally necessary to do extensive recruiting of new manpower and, let us say, womanpower. Advertising in the leading newspaper in the community has proved best in my experiences. Classified want ads, including definite specifications with both adverse and favorable factors, have proved more advantageous than display advertising. Perhaps in your city display advertising may prove better. By all means consult with an advertising agency. Mail-circularization to colleges, to personnel directors and business people generally, has been most unsuccessful in my trials—the expense, the disruption of stenographic activities and other factors. It's lengthy spelled-out classified want ads in the leading newspapers for old Doug.

Interviews with new men are a required business courtesy. If the ads have not been misleading but instead have been clear and definite, then much time will be saved on worthless interviews.

Applicants should be encouraged to talk about themselves—education, business experiences with reasons for changes, desired type of work, hobbies, vacations, sports, families; and of great importance their ambitions and objectives. Beware of the man who trusts nobody. Beware of the man who knocks his home town, his school or his previous employers. A salesman must like people to sell.

About the men who seem desirable after your screening and diagnostic efforts—there appear to be two methods of "selling" them on working for your company, and it is definitely a selling job. Some sales managers can appear indifferent, hard to get, almost aloof—and the prospective men will be influenced by this psychological treatment, they'll "rise for the bait."

Other salesmanagers will be wholesomely courteous and friendly with naturalness; frankly pointing out the good and bad features while "affirmatively" trying to help the desirable candidate to decide to make this office his business home. Although indirect or invisible selling is more effective in securities selling, my recommendation in this regard is to utilize the method which naturally suits your personality and business standards. Either can prove successful.

Biographical forms for personnel data are always readily filled out by young men, and by the "drawing account hounds." The more desirable, capable, middle-aged applicants are not very cooperative with these forms. This material should precede or be a part of your company application. Naturally it would provide more information than required by the bonding company. Checking reputation and character is most important—this is best done verbally where practicable. A previous business associate will provide the most truthful answers to your questions when not required in writing. See the reference personally, or at least talk on the telephone a couple of times.

Aptitude tests are not the idea of a crackpot. Use them! These tests can usually weed out the failures and save you many thousands of dollars of company money and hundreds of hours of needless salesman-training together with subsequent nursing. There are several agencies that can help you with aptitude tests; I'll provide you their names upon request.

Drawing Account Problem

The drawing account problem is a definite headache. I stated earlier that when I came into this field everybody was on a salary. We had bonuses, and commissions up to a certain amount, but lucrative on slow-moving securities. The bonus idea has not changed on the "sticky" stuff. In the retail trade field it's called a "P.M." for premium merchandise, which really means distress merchandise. I don't believe in a drawing account! And yet, when I tell a new man he must work without initial compensation, I am saying my firm, whether it's wealthy or not, would like to have him finance his own activities.

I believe, if a drawing account is ever given, that the new salesman shouldn't receive it until he has been working three months. My principle is that the man then has an investment in the situation. I'm confident it's healthier for him to work this way for the first three months. It puts him on his mettle.

Sales Meetings

Weekly sales meetings are a great aid in the building and maintenance of a retail sales force. They can be the "hub" around which your sales organization revolves. The character of meetings is a pretty direct reflection of the ability of the salesmanager, who can't be helped much if he lacks imagination, personality, and a flair for showmanship.

An engineer from M. I. T. or Purdue knows all his facts. He knows aero-dynamics, thermodynamics and all that sort of dull, factual stuff, the strength of materials, etc. Once he learns his facts he knows those facts all the rest of his life. What about a salesman? Oh, in selling, you have to come back often, learn new facts in a changing world, and have your "tires blown up" once a week. The sales meeting provides new selling facts, selling ideas—it provides encouragement and an inspirational urge. It gives a man the feeling that he belongs

—is a member of the team and a respected citizen.

The comments to follow on meetings are made with the knowledge that Customers Brokers and most institutional bond salesmen are not available for meetings. Also, some men must leave meetings in the event customers drop into the office.

You can't do much to bring the fellows into sales meetings unless you have the innate ability to provide the following: (1) Information about securities, (2) Suggestions on "How to Sell," and (3) Inspiration. Each man is a ship captain himself nowadays, and if he is a good producer, all the more reason why he isn't attending, if the meetings aren't definitely beneficial. And if the man is another type—the young chap just coming up—and the meetings are ineffective, he may drop out of the business entirely.

There are several ways to make meetings effective—foremost is active participation with the men. For instance, encourage one or two of these fellows to talk of their own experiences on occasion. Take George Anderson as a member of the sales force, and subsequent to previous prompting in open meeting say, "George, you made two big sales last week; you brought those in last Friday. Now, tell us how you developed those two sales." So George comes into the meeting, participates—it becomes their meeting.

Obtain the participation of five active salesmen and ask the first to talk on the subject of arousing prospect "Attention," and the next to explain "Arousing Interest," the next to talk facts and figures or "Conviction," the next to give the emotional appeal of "Arousing Desire," and the fifth man to handle "Closing."

Some managers know how to put such programs across; those who are ineffective really lack the ability to work with their men. Suppose—with a few days advance notice—you ask each of the men to talk for ten or fifteen minutes. They will prepare and study these practical sales principles in order to be effective in the meeting—almost without thought to the long range personal benefit of increased commissions.

Salesmen are in three classes on the subject of reading sales material. Number one, those who read everything. Number two, those who read only a one page digest. Number three, those who will only "listen" at times.

I believe in another kind of participation, in bringing in the salesmen's name — also events, celebrating anniversaries and a birthday once in a while and having fun. All men are little boys and kids at heart. Did you ever go to a Rotary Club outing and see those fellows play, or to the Kiwanis Club and see those fellows slap each other on the back and use first names? All men at heart are a bunch of kids and boys —if they can play on the team.

In Los Angeles on a certain January 1st, a newspaper man spotted Babe Ruth in a hotel lobby wearing knickers. It was Rose Bowl Day, and he said, "Where are you sitting today, Babe? Aren't you going to the big game?" The Babe replied, "Not me; I'm going out to play golf." He wanted to play and be part of the game himself.

Exhibits at sales meetings are effective in stimulating interest. If more time were available I'd discuss how resourcefulness and showmanship will pay off in this regard. I'll talk about it with anyone after the meeting.

Billy Sunday said you can't save many souls after 20 minutes! How long should your sales meeting last? If you know how to use exhibits, can obtain important guest speakers, and are able to develop audience participation, then each "sales laboratory meeting" can be of almost two hours duration. Get a good story in some magazine, something like The Commercial and Financial Chronicle or the Investment Dealers' Digest, on "How to Sell," and around about Wednesday challenge one of the men on it and he'll say, "Sure, I'll handle it in the meeting." From there on it's his baby. He might talk 20 minutes; somebody will ask practical questions. Yes, if you have the right leadership you can run lively spirited sales meetings for two hours!

When to hold sales meetings? On Monday mornings; it is the only blank time I know of in the course of the week. On Monday morning, your prospect has been out on a long week-end, and maybe he has had a little disagreement with his wife, and he doesn't feel well, he's kind of mad with the world, the mail is crowding up, that branch manager from Pittsburgh blew in on him, etc. Monday morning is the worst time, if there is any worst time, to call on a prospect.

Many of your salesmen will receive week-end business reviews, bank letters; they read the Sunday newspapers—then come in with some usable information to the Monday sales meeting. You can get some stimulation and some fresh ideas, which wouldn't hold if you held your meeting at any other time. We are all salesmen here together, and we know that the memory of man is very short. So if you can "catch" them on Monday morning, maybe you can "stimulate" them for the entire week.

The Money-Motive

Why do we work? We work to make money and we make money to satisfy "self-interest." A leader must appeal to the emotions of his men.

Each man wants to be treated and respected as an individual—not treated as a member of a mass. You can't handle all men the same. They absolutely have different characteristics, aims, hopes, fears, objectives.

A salesman wants security. He wants to feel that his employer is financially safe. He doesn't like to make charges from firm to firm. He wants to know whether the firm will support its markets. He wants to know if there are going to be any more of those poorly conceived and poorly distributed underwritings of 1945 and 1946. He wants to know if his sales manager and firm are going to face the facts about markets that now are down.

Primarily, he wants to know if they are adequately financed to carry through. A lot of firms didn't carry through in 1932, and a lot of firms didn't carry through in 1938, and others have been dropping by the wayside all along —making orphans of a lot of salesmen. He wants that feeling of security and safety in his connection.

He wants fair treatment. He wants to be able to make complaints, and he wants to be able to go in and make suggestions and recommendations—he wants to be heard.

A salesman wants direction. He wants to know what to sell and at what price. He doesn't want any "weasel words." He wants to know what the firm's position is in the securities he is selling, what the profit margins are, and if the statistical work, the analysis, has already been printed up and if the literature is ready. How many times have we worked on a deal only to get the literature three days or ten days later? He wants clear orders, and wants to know "the rules of the road."

He wants a strong sales manager who will give him a helping hand when needed. He wants to come in and talk about a prospect. "And how would you, Joe, handle this case? This is what he said, and this is what I said. Then, this is what he said, and I said this." He wants to be able to talk to the sales manager, one who is really a man of experience; he wants that sales manager to be a man of character—not a promiser!

A salesman wants an opportunity to prove that he is capable. Every little jockey running this summer out at Suffolk or Belmont Park wants to have the opportunity to prove that he can take a "selling plater" like Stymie up into the Stake Horse class. He wants to have the feeling that with a tough sales problem he can close the sale; personally effect accomplishment.

A salesman wants to be liked by the other salesmen, his co-workers.

Those are the emotions, the aims that a man has in working with a house, and his leader must satisfy those emotions. They may be classified again in three groups: First, he wants security; Second he wants to be able to prove that he can do the job, meaning he wants self-approval; and Third, he wants the approval of the sales manager and his fellow salesmen.

Building a Prospect List

A salesman is a man who sells. The traits which make him effective in the presence of prospective buyers are usually present to such a high degree that they crowd out other traits which tend toward thoroughness in record keeping and security analysis.

No person can be all things to all men! Building and maintaining a prospect list—as well as corresponding with prospects and clients—is painful work which is shabbily done.

Much of this work must be done by the sales manager or through his persistent indirect leadership, if it is to result in money on the books for the salesmen and the firm.

For instance, a salesman can be encouraged or cajoled into building a prospect list of friends and acquaintances. Point out how some other salesman has made big sales through listing at least 25 friends in each of the following categories: (1) School connections, classmates, teachers, alumni; (2) Business contacts, former fellow employees, employers, customers, competitors; (3) Personal, social friends and their friends; (4) Group activity contacts, army, navy, church, clubs, charity drives, civic welfare organizations; (5) My customer contacts, the druggist, plumber, auto sales agency, landlord, real estate agent, grocer, watch repairman; (6) Neighbors, past and present; (7) Sports and hobbies; (8) Family contacts, friends of wife in Y. W. C. A., school friends of relatives.

There is an old adage that the average individual uses only 30% of his potential ability. An affirmative minded sales manager can, in working with each salesman individually, develop enthusiasm for self-improvement to the degree where that 30% is expanded by another 25%.

The basic personnel problem is always the individual; he must be studied for his strength and weaknesses. When his potentials and goals are outlined there is a probability he'll cooperate in building and maintaining a prospect list. It should be explained that clerical work is "off hours" work—that 10 a.m. to 4:30 p.m. are reserved as the golden hours to be in the presence of prospective buyers. Let me repeat: "Pay dirt time" is 10 a.m. to 4:30 p.m., and you're only kidding yourself if you are not face to face with prospects during these golden hours. Don't be a desk Admiral, the workshop of the salesman is in the presence of the prospect.

Long lists of prospects can be used up in almost no time if the technique of obtaining "a lead from a lead" is not developed and made effective. Your prospect, friend or stranger, is human. One trait we all have is the desire to help our fellow man—for when aiding another our own ego expands. So help your prospect on the road to happiness—expanding his ego—by indirectly or directly inquiring about his friends who might be interested in investment securities.

There is fun in selling if you like people. There is money in this selling business if you'll see the people. Americans fall into one of two classes—salesmen or bookkeepers. The first create business, the second process it. Briefly, the money is in the creation.

Who do you think the greatest salesmen are? Eisenhower, Tom Watson, and Winston Churchill, of course.

The Binghamton Insurance Selling Case

Sales managers the nation over are looking at the Binghamton insurance selling case—and the story there was what? 29 salesmen worked 309 hours, made 327 calls, sold something like three hundred and some odd thousand dollars worth of insurance, the commissions were about $3,200, they started at 9 o'clock at night, most of them, and wound up at 6 o'clock in the morning.

Is that undignified for the investment business? Who says so? —those old fossils with hardening of the mental arteries; the men in our business who are still thinking of the easy 1920's. That is not undignified. If a fellow has a job pumping gasoline at an all-night filling station, and if a life insurance salesman can call on him during his working hours, why can't you do the time? If another fellow is manager of a restaurant on the night shift, why can't you call on him at his "office"? He is lonesome after the early rush; he is very vulnerable; there are no telephones ringing and you have no competition.

Charles Evans Hughes did much to clean up the life insurance business around 1906 and 1908. The total assets of life insurance companies at that time was about $2,000,000,000. Now assets are about $55,000,000,000. If we could take a leaf out of the book of the average life insurance salesman—get way from our desks, get away from our telephones, get away from the dependence upon mail circularization—we could get into the presence of prospects and make some money.

"You can't sell 'em if you don't go to see 'em." We need a light fast step in this business; we need it badly, and an influx of new men may bring it about. But I don't see much hope for those old-timers who are firmly entrenched in archaic offering methods. Most of the salesmen of my acquaintanceship in our business represent themselves to be "brain boxes"; smart guys. We must become merchants. Somebody has got to carry the message to Garcia—as a salesman.

"Time not spent in the presence of prospective clients is time wasted" is my favorite slogan. If you are sitting at your desk at 10:15 in the morning fumbling with prospect cards, Mister, you ain't a salesman; you are just kidding yourself. Card Fumbling is Buck Fever, or timidity, or lack of courage to face prospects—maybe it's laziness. Arranging prospect cards is an activity for non-working hours, 5 p.m. to 6:30 p.m. or on rainy Saturday afternoons, or nights while working on your plans or travel routes for the next day. My luckiest time in retail selling has been between 12 noon and 2 p. m.; I have found more businessmen available at that time and I get better, uninterrupted interviews. Pardon me, did I say luck? Luck is no accident, wears no frills; luck is dressed in working clothes.

An exchange of ideas with competitors is recommended. Life insurance men do it. Doctors exchange ideas and talk over their mutual problems. Lawyers do the same. You can go far afield and get excellent stimulating ideas in other cities as well as in your own. Exchange ideas by mail with fellows in other cities.

Using Words of One Syllable

What about advertising? Advertize in language of one and two syllables. Lincoln's renowned Gettysburg Address has how many words? It's 268. How many are one-syllable words? 196 out of 268, just think of it! Most of the lasting literature of the world has been in simple language, it's the most effective.

I have a "corny" ad running in newspapers. This is a one-column ad with a layout including a pen and ink illustration of a married couple about 60 years of age, with this theme, "You, too, can have Peace of Mind"—the advantage is for the reader, the prospect. I am not apparently selling him something; instead I'm helping him to achieve his goal. "You, too, can have Peace of Mind." In the ad Papa is talking; he says, "Mary and I are having more fun today than ever before; children grown and on their own. We travel and see old friends, too. It is because of our Retirement Income. We have a 4½% or more annual return on our Mutual Investment Fund program. Why don't you write for a six-page leaflet which will be sent free upon request? Ask for 'Peace of Mind.'"

Everything there can be easily understood. You don't see any trade language, such as "diversification." I would never use the word "diversification"; I would say, "Don't carry all your eggs in one basket." It is the only way the American public can understand our language—the advantages we offer the buyer, the attainment of goals. The literature sent in reply to inquiries must be just as simple. Consequently, the personal conversations in following up the inquiries from the ads must be simple and inviting. Disraeli said, "I make it a rule to believe only what I understand."

Mail is not valuable, in itself, as a means of solicitation. Advertising is worth very little, in itself. Yes, this is a human contact business. We are selling confidence; we are selling ourselves.

Mail solicitations and newspaper advertisements can help. They can build a "platform" for the salesman so that when he personally meets the prospect some advance "softening up" has been accomplished. Mail should be signed by the salesman who will make the call; not signed by the sales manager or the president of the firm. Letters of solicitation should build only one or two ideas. This is all you can get across to set the foundation or platform for the salesman's interview. Don't use the mails to become disseminators of statistical data. Don't lean too heavily on that 3c postage stamp.

Advertising? If you expect to sell by newspaper advertising, you are certainly going to pour a lot of money down a rathole, especially in these times of public apathy. The best you could hope to do would be to get the name of your firm publicly accepted and a few desirable leads for the men. I have seen some leads or inquiries break the hearts of salesmen. I don't know why so many people write from the insane asylum, or why so many boys in high school answer ads. A lot of competitors answer those ads just to keep in touch with what's going on. I believe radio and television will do a good job and for "sound" reasons, too.

Manager's Contact With His Salesmen

This is the way I contact retail salesmen who work with me. They don't come to the office a

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Building a Successful Sales Organization

(Continued from page 21)

great deal for they are sold on the plan of working out of their homes. Why waste all the morning and afternoon time in busses and cars? They receive mail in this pink envelope and it goes to the residence. Why? I want the little woman at home to read it. "Never underestimate the power of a woman." I want the wife to be the sales manager. And there's another sales manager, too, the old looking glass, the mirror. Remember: "This above all, to thine ownself be true, and it will follow as the night the day, thou canst not then be false to any man." Let a man study himself in the mirror.

The wife is the best sales manager, and the mirror is next, and the man downtown is a poor third.

Then the salesman receives this white envelope about two or three days later. The next mailing is in this light brown envelope. Then this green-colored one, the nice green one. We have fun in our business without loss of respect for its seriousness. There is no need of being in business unless you can enjoy it.

Here are two examples of mailings to the residences. You'll notice the attractive appearance, the pen-and-ink illustrations, the spacings which make them inviting to the reader, and the large, readable type.

"A Chemical Reaction

"A long time ago, when I attended school down in the swamplands of Louisiana, I was forcefully impressed by my chemistry professor, a Dr. Alcide de Boisblanc of Napoleonville on Bayou Lafourche.

"He was an outspoken gent, like Ralph Waldo Emerson; a man of original thoughts and definiteness, he was fearless in expressing his opinions.

"Dr. de Boisblanc, and persons like him, are admired by their close friends . . . even if they are too outspoken and opinionated to be successful salesmen. Doc was a character—clean as a whistle—he liked to help his boys in the practical philosophy of daily living as well as help them in the study of chemistry.

"Some of his comments stick with me to this day: **'Surface exposed** is a function of the rate of a chemical reaction. **Time** is a function of the rate of a chemical reaction. **Temperature** is a function of the rate of a chemical reaction.'

"One day, after making the statement above Doc came out with this homey philosophy: 'Now, you fellows who are planning to become salesmen must **expose** yourselves to a lot of people; you must work everlastingly at the sales problem for a good period of **time**; and your **temperature** in selling is the fire of enthusiasm which is so infectious with prospects.'

"Pretty good for a chemistry professor down in the swamplands of Louisiana—eh, what?

"And then . . . back in my Halsey Stuart days . . . there developed the crystallization of a pet slogan for me—a pet slogan which is practical every day; just as practical and certain of helping a salesman to success as the fact that God made little green apples.

"This crystallized idea embodies one of the elements of a chemical reaction: **surface exposed.** So here 'tis, this slogan, this magic formula: **Time not spent in the presence of prospective clients is time wasted.**

"As you adopt this slogan and use it in your daily activities, I'm confident there will develop a chain of chemical reactions . . . sales.

"May I ask this favor of you? **Once in a while after making a sale would you tip your hat and smile to the memory of a fine** gentleman, a splendid character, the philosophical old chemistry professor, Dr. Alcide de Boisblanc.

"Douglas K. Porteous."

"Dress Rehearsal

"'Let's get the show on the road' is an old expression in the theatrical business. In other words, let's get going, let's put those plans in motion.

"I have always liked that expression because it cuts down on the excessive talk in an investment firm's office and helps each individual producer to get his own show on the road or—to get out into the presence of prospective clients.

"A few days ago I was amazed upon learning a certain additional and important fact about the theatrical business. I was told that the Broadway 'hit' shows have a 'dress rehearsal' every 30 days with nobody in attendance but the cast and the directors.

"The purpose of these dress rehearsals is to get back to the script. It seems the Broadway stars and all the bit players alter their lines, ad lib, delete, and in fact gradually get further and further away from the original script—the script which caused the success. I have always known about this ad libbing and laxity, and doubtless you have too.

"This brings to mind the outstanding success of International Business Machines Corp. The head of this company is a sales genius who probably has the mechanical ability to operate only a few of his complicated machines. He probably wouldn't understand more than 2% of the technical statements made by his inventors and engineers. Nevertheless, this 'head man' knows Administration and he knows how to **sell.** Naturally, you realize the man I refer to is Mr. Thomas J. Watson.

"In his early business days he learned to sell in that greatest of all American sales incubators—the National Cash Register School of Salesmanship. I am told that Mr. Watson's I. B. M. Schools do a splendid job of teaching salesmanship to full-grown men.

"But here's the most important feature of all . . . they bring these trained salesmen back frequently for 'dress rehearsals.' (Also, the salesmen read a book on salesmanship to restimulate them immediately prior to an I. B. M. dress rehearsal.)

"It has been said these dress rehearsals stir the men out of their 'ruts,' out of their self-developed careless methods of talking to prospects and clients.

"Now, if this 'dress rehearsal' system is a common practice of the Broadway hit shows, and if it is a common practice of Thomas L. Watson's I. B. M. sales force, I wonder if it wouldn't be a pretty constructive plan for us in the investment business to follow.

"Back to the fundamentals for all of us; the elementary rules of Selling. Read a good book on Salesmanship, attend sales meetings, for there's frequently an interpretation given on a new development you might use in your sales efforts. Participate in these sales meetings, for there's a real thrill in the realization you're helping others to benefit from your experiences. Traditionally, we should help newcomers to our business.

"Let's do something about our own progress. Develop our own 'dress rehearsal.'

"Douglas K. Porteous."

In addition to sending material like this to my salesmen of the home office at One Wall Street, New York City, and the branches, I often send topical releases complimentary to my dealer friends upon their request.

In building a successful sales organization the contacts most valuable with salesmen are the personal discussions on their sales problems, such as lists, letters, handling difficult situations and effective closing techniques. Second in importance are the weekly sales meetings. The sales manager's next most helpful contacts are through the continual mailings of personalized practicable sales aids, like "A Chemical Reaction" and "Dress Rehearsal."

A Case in Point

Who is the man that came into our business recently, the most audacious genius in the railroad field? Robert Young! He has recently come into the investment business through purchasing control of a firm that has 1,471 retail men active each day. It's the method of selling, the type of sales organization with trained key personnel, that Robert Young purchased much more than the acquisition of the assets of Investors Diversified Services, Inc. This type of organization can be the success of the 1950s, as the National City Company and others spelled success in the 1920s. This kind of retailing might well be the "earnings hope" of our business — shoeleather and turning doorknobs. Never mind all the dignity of State Street, La Salle Street, etc. This is where the money is, fellows. Read the Federal Reserve Board reports; it's down there at the lower level and the intermediate sections of our population. It's in selling periodic accumulation plans of \$10 to \$100 per month—it's in those firms selling mutual investment funds and other securities to the low-income and middle-income people.

We must imitate Merrill Lynch in our sales approaches on all types of securities—try to sell the people with annual incomes of \$3,600 to \$12,000 and we'll be reaching about 80% of the people—and our efforts will be crowned with success!

Halsey, Stuart Group Offers Pac. Gas Bonds

A nation-wide banking group headed by Halsey, Stuart & Co. Inc. on June 29 offered publicly \$80,000,000 Pacific Gas & Electric Co. first and refunding mortgage bonds, series S, 3%, due June 1, 1983, at 100.639% and accrued interest, yielding approximately 2.97%. The group was awarded the bonds at competitive sale on its bid of 100.133.

Proceeds from the sale of the bonds will be applied to the company's construction program and to retire bank loans incurred in this program.

Gross operating revenue of the company for the 12 months ended March 31, 1949 was reported to be \$210,675,837. After all operating expenses, depreciation and taxes there remained gross income of \$36,780,213; maximum annual interest requirements on all bonds presently outstanding, including this issue, will require \$16,673,000.

The bonds may be redeemed in whole or in part to and including June 1, 1955 at a premium of 4%, the premium reducing thereafter to June 1, 1982.

Pacific Gas & Electric Co. operates throughout a large part of northern and central California. It serves either gas or electricity or both in 42 cities having an estimated population in 1948 of 10,000 or more, including San Francisco and its surrounding area. Of the total electric energy generated by the company in 1948, approximately 59% was produced in its hydro-electric plants and approximately 41% in its steam plants. Almost all of the gas distributed by the company is natural gas.

As We See It

(Continued from first page)

the tide of public opinion has turned somewhat against endless and unlimited spending in an effort to buy that which cannot be bought, and, so, the President is relatively modest in what he wants Congress to do at the moment. There had been talk of a billion dollars; a few million is all that is actually demanded at the moment.

What Naivete!

There is, however, no mistaking the President's naivéte concerning all things that have to do with foreign trade, particularly in its relation to our own economy and to that of the remainder of the world. Indeed his discussion is hardly other than a sort of hodge podge of inconsistencies and absurdities. Parts of his reasoning seem to be about as effective as an argument in support of what used to be termed (and roundly condemned by the President's own party as) "dollar diplomacy," while at other points he seems to be suggesting something akin to the largesse with which the farm vote of the country is being kept in possession of the Democratic party. One supposes at moments that he is interested in finding non-dollar raw materials for foreign countries which are unable to buy here because they can not sell here; at others one wonders if he is not really talking about finding such resources far removed from Russian control or influence for our own use. Sometimes he seems to be talking about markets for our goods and sometimes about outlets for our competitors.

What these now underdeveloped regions would send us in return for our goods is far from clear. We are certainly not very keen about permitting foreign competition in our domestic market by manufacturers abroad. That is one of the reasons why the "dollar shortage" is so much in evidence — that, and the fact that in most instances there is no one in the world who can make mass production goods quite so cheaply as can the manufacturers of the United States. He speaks of the need of Europe for more goods, and at times seems to be under the impression that these regions developed under our tutelage (and doubtless in the end at our expense) will be a good source of such goods for Europe, since in such transactions no dollars are required. One wonders where and how we are to collect even the service charges on funds advanced, or, for that matter, even for the "technical assistance."

Common Easy Reasoning

Such easy reasoning is, however, a rather common fallacy of current thought about international trade—or at least thought about it in this country. More impressive in some ways is the simple notions the President and his advisers seem to hold about what is required to bring these so-called underdeveloped areas into the modern age. He and they are at some pains to explain that these backward people have been aroused and made ambitious by contact with the rest of the world in the course of the war. They are eager, so we are told, to play a greater role in world affairs. They envy such countries as the United States, and they begin almost to believe that they can have such a life if they exert themselves.

The trouble is, according to this story, that they do not have the know-how or the capital. They are lacking in knowledge of engineering, in business organization and management. They are ignorant about the essentials of the development and operation of modern large-scale industry. They would be most grateful if we came in and told them what to do and how, and to provide them with required plants and tools. One can hardly fail to marvel that there is anyone anywhere in the world who thinks all this is as simple as it is thus made to sound. From the merely technical viewpoint, if from no other, one would suppose that the President and his advisers from their war experience all over the world would know much better. What happened when thousands of German and American engineers and technicians flocked to Russia two or three decades ago to lend technical assistance to Soviet Russia? Well, now twenty-odd years later, the President's experts list Russia as in the "transition stage." That is to say, somewhere between the primitive life of the semi-savage and the United States of America in its ability to supply its own wants in the Twentieth Century style—and that despite the continuous effort of the authorities to overcome these handicaps. One suspects that that country would have drawn precisely the same rating a quarter of a century ago.

Suppose?

It is difficult to suppress a grim smile when it is seen

that these experts of the President list China, India and virtually all of Africa as regions which we are to "save" with technical assistance and governmentally sponsored and safeguarded private investment. Suppose that this country—that is the private capital of this country—had entered China and India on the scale that was true of the British capitalist, and the Government of the United States had undertaken to save it whole against those risks which are peculiar to such operations, as the President puts it. Either we should long ago have entered an imperialist war which would have put to shame any of our procedures dubbed dollar diplomacy, and any of the broadly similar foreign policies of foreign countries, or we should have a long, long list of "rentiers" living on governmentally provided pensions—or what amounts to pensions—in this country for the rest of their lives and perhaps their heirs also.

But the foreign capital which entered China, and in considerable degree that which entered India and the other underdeveloped areas of the world, did not for the most part go there to develop those countries, but to make money out of them. Not too much was expected of the natives, and the natives got relatively little from it all. The situation certainly would be quite different if the aim was to industrialize those regions. Imagine an assembly line making agricultural implements in China with Chinese labor — and imagine the Chinese farmer trying to operate a farm with such implements!

It would be a good thing if the President's advisers got more nearly down to earth.

Monetary Fund Changes Value of Mexican Peso

Fixes rate at 8.65 pesos for United States dollar at request of Mexican Government.

The International Monetary Fund announced on June 17 the establishment of a new par value for the Mexican peso of 8.65 pesos per U. S. dollar, effective at once. This rate was proposed by the Government of Mexico. The new par value replaces the initial par value of 4.855 pesos per U. S. dollar, established on Dec. 18, 1946 by agreement between Mexico and the Fund. On July 22, 1948, the Bank of Mexico suspended transactions at this initial parity.

Since then the government of Mexico and the Fund have been in continuous consultation. The Fund has been assured by the Mexican authorities that it is the intention of their Government to continue to pursue policies which will restrain inflationary forces and thereby strengthen Mexico's overall external position. The Fund is satisfied that this change in par value is necessary to correct a fundamental disequilibrium, and accordingly has concurred in the proposed change. The Fund considers that the new par value is a suitable rate of exchange for assisting Mexico to restore and maintain a strong balance of payments position.

With the establishment of a new par value, Mexico again has access to the Fund's resources for such purposes as are consistent with the Articles of Agreement and are in accord with the established policies and procedures of the Fund.

The Acting Managing Director of the Fund, Mr. Andrew N. Overby, when asked to comment on the Mexican action, said that the Fund welcomed it as an example of effective international consultation and action in the monetary field. He was confident that the Mexican Government was determined to carry out its stabilization program and that Mexico could look forward to a strong balance of payments and exchange rate position.

Mr. Overby also pointed out that Mexico, as any country proposing a change in the par value, had indicated why it had felt that the new par value would eliminate the fundamental disequilibrium in its balance of payments. The Mexicans had stressed that they felt that this par value would strengthen their export position, restrain imports, encourage the tourist trade, which was very important to Mexico, and encourage the inflow into Mexico of private capital while discouraging any speculative outflows of capital from Mexico. These expectations were based essentially on the fact that the new rate was appropriate to achieve these ends and that the Mexican Government was determined to continue to pursue measures which would enable Mexico to enjoy the benefits of a stable, realistic par value.

Harriman Ripley Offers Seagram Debentures

A nationwide group of 80 underwriters headed by Harriman Ripley & Co., Inc. on June 29 offered $50,000,000 of Joseph E. Seagram & Sons, Inc. 25-year 3% debentures, due June 1, 1974, at 99⅛% and accrued interest, at which the yield is 3.05% to maturity.

The debentures are direct obligations of Joseph E. Seagram & Sons, Inc., an Indiana corporation, which is a wholly-owned subsidiary of Distillers Corp.-Seagrams Ltd. The Indiana corporation controls, through stock ownership, all the affiliated Seagram distillery operating and sales companies in the United States.

Net proceeds from the sale of the debentures will be applied to refund bank loans outstanding under a bank credit agreement dated Nov. 20, 1947. Upon completion of the financing, the consolidated funded debt of the company and its subsidiaries, exclusive of subordinated debt to the Canadian parent, will consist of 2½% debentures due June 1, 1966 outstanding in the amount of $44,465,000 and the $50,000,000 of new 3% debentures presently being offered.

The new debentures will have a sinking fund to retire the entire issue by maturity. Retirements are to be effected by June 1 in each year commencing with $650,000 in 1951 and increasing in amount thereafter to $3,500,000 in the years 1973 and 1974.

The optional redemption price is 102½% to and including June 1, 1954, after which it is to be reduced on a scale to a price of 100% after June 1, 1972. The sinking fund redemption price commences at 101% and also declines on a scale to a price of 100% after June 1, 1964.

Industrial Possibilities of Sonic Energy

(Continued from page 3)

company contemplates undertaking installations of its equipment for the agglomeration of very fine particles in gas streams following blast furnaces, commercial boilers, smelters, and various chemical industrial processes.

Potential Market for Sonic Dust Collectors

In evaluating the potential market for sonic dust collectors, (and our company's resultant business) several factors appear to be significant. First, the one previous industrial means of collecting fine particles is the Cottrell collector, a high voltage electrostatic process for extracting dust from air, sales of which collectors are believed to total in the order of $10 million annually. Engineering studies made by the company suggest that it may reasonably expect to obtain a worthwhile volume of business in this field of endeavor, inasmuch as it appears that installations of its sonic collection equipment may be made at prices considerably below the price of electrostatic fine particle collection systems. Second, the company knows of no competitor in the sonic field, either commercially offering sonic equipment or installing dust recovery systems, of the type built by the company. Third, the sales field for fine particle collection equipment embraces practically all the process industries, and includes among others, the smelting, petroleum, chemical, steel, carbon black, cement, lime and rock products, sulfur and paper industries. Many of the fine particles encountered in these industries have a worthwhile recovery value, which returns the investment cost of a sonic collector in a short while; in still other cases, although the dust may be valueless, its nuisance characteristics make its collection mandatory. In the latter connection, there is every evidence of a trend among industrial cities to follow the lead of St. Louis, Pittsburgh and Los Angeles toward enactment of restrictive air-pollution legislation, preventing factories from discharging more than a minimum of solid dust from stacks (in Los Angeles, 40 pounds maximum per stack per hour as compared with the thousands of pounds per hour often previously discharged).

Expanding Uses for Sonic Energy—Chemical, Food, Paper, and Other Industries, and Their Market Potential

The use of sound for dust collection represents but one of many sonic processes being developed by Ultrasonic Corp. To mention but a few other developments, it is investigating the use of its equipment in spray drying processes where it is believed that the high intensity sound waves may accelerate the drying of fine droplets. The spray drying process finds use throughout the chemical, pharmaceutical and food industries. Examples include spray dried powdered coffee, milk and egg whites. The company is also developing a process for adapting its sound generators for operation with Fourdrinier paper machines to accelerate the removal of water and to improve the formation of a wet paper web on the wire screen of a paper making machine. Successful development of this process suggests the possible wide use of the company's sound generators throughout the entire paper making industry, because of the savings which would result to the user.

Example of another development being pursued by the company lies in knocking down persistent foam by sound compression waves. The paper and chemical industries have several serious foam problems on which such a sonic process might advantageously be used. Again, the use of sound waves is being studied in vibrating and destroying larvae, eggs and infestation of milled flour products.

The company contemplates extending its interests to other commercial processes for using sound in liquids, as well as gases, such as making emulsions, accelerating chemical reactions, and certain marine applications. While every one of the commercial uses for sonic energy either now being actively developed or which are contemplated for future study, will certainly not all prove commercially feasible, nevertheless it is felt that a broadly increasing series of sales field will continually be opened up by the company, and that the company should exhibit a worthwhile record of growth and profit. Each of a fair number of these different sales fields, it is believed holds the possibility of producting several millions of dollars of sales annually, yielding an attractive margin of profit.

Dominant Patent Position of the Company

In view of the pioneering nature of our company's work, it is interesting to note that the company has pursued an active patent program since its inception, looking toward building a broad patent structure covering both apparatus as well as processes. Numerous applications for Letters Patents have been filed in this country as well as in over twelve foreign countries. In several cases, patents have already issued to the company; in others, important claims have been allowed, and the patent is in process of issuing. Exclusive as well as non-exclusive licenses have been acquired under several U. S. patents which had issued previous to the formation of the company, and which were felt to have possible nuisance value if adversely held. No one patent held by the company offers alone outstanding and dominant protection; rather, the company feels that its protection in its area of operations is achieved through the depth and scope of its patent structure.

Customers of Ultrasonic Corporation

Indicative of the scope of the interest which American industry is finding in sonic energy and its possibilities, it is interesting to note that numbered among the company's industrial customers are leading concerns in the chemical, petroleum, smelting, food, paper, rubber and soap industries. The company has also undertaken special research work for the United States Navy, Office of Naval Research. It has furnished acoustic equipment under contract with the National Advisory Committee for Aeronautics, as well as to the United States Army Air Forces, Aero-Medical Laboratory, at Wright Field, Dayton, Ohio.

An Introduction to Ultrasonic Corporation

By way of background, a brief introduction to our company itself may be in order. The company was organized under the laws of the Commonwealth of Massachusetts on Oct. 11, 1945. It is principally concerned with the engineering, research and development work underlying a broad program of utilizing sonic energy in industrial processes. Its engineering, research, drafting and office staff numbers about twenty-five people. Its engineers work closely with a further number of active consultants and specialists who are associated with nearby technical institutions.

The company presently occupies the premises at 61 Rogers Street, Cambridge, Massachusetts, a single story building having about 7,000 sq. feet. of floor space. Executive offices, engineering, design, and drafting rooms, as well as apparatus assembly space and an acoustics laboratory are contained within this building.

The company regularly undertakes its own engineering and development work, and furnishes its own drafting requirements. All production of its equipment, however, is subcontracted to a group of local machine and metal fabricating shops. Finished apparatus is returned to the company's acoustic laboratory for tests before being delivered to customers. The company has its own facilities for sales engineering and field engineering, but for the present, field installation and erection work of its equipment is handled through outside engineering firms specializing in such field erection work.

Ultrasonic Corporation has been independently financed by a number of individual New England investors, and its shares are presently held by something over one hundred stockholders. The company is in no way financially affiliated with any other company. It has outstanding but one class of security, common stock of $5 par value. Of 200,000 shares authorized, 46,430 shares are presently outstanding, of which 10,000 shares were issued in 1948 at $20 per share, the initial financing of the company having been effected several years previously.

During its formative years, the company expended, according to plan, certain amounts of its paid-in capital in excess of its income, in its development of its new equipment and processes. It has minimized its own expenditures through mutually advantageous working arrangements negotiated with other corporations interested in working jointly with it. Generally speaking, it is felt that the company is emerging from its period of such excess of expenditures, and that it presently should demonstrate its attractive profit potential. Upon the successful completion of its development and field research work in the several processes of immediate interest to the company, it is believed that during the subsequent three years the company's sales may realistically climb from about one and one-half millions in that first year to about ten million dollars in the third year. Projecting a 15% net earnings level after taxes, it is indicated that the company's net profit should accordingly climb from one-quarter up to one and one-half million dollars during the same three-year span.

The Future for Sonic Energy

It is felt that over the next several years industrial uses for sonic energy will sharply expand, and that Ultrasonic Corporation will concurrently continue to demonstrate its engineering and business growth and progress, further establishing an enviable and impregnable position in its new scientific field to the distinct advantages of its stockholders and customers.

In conclusion, it might be commented that a basic belief of the directors of the company finds expression in a comment contained in a "New England Letter" of the First National Bank of Boston, in which a noted scientist of a foremost American firm, in giving unqualified endorsement to research investment, is quoted in the following words: "Because the methods which science uses, both fundamental and applied, are so powerful and certain in achieving the ends sought, money spent through well-organized research and development departments is the least risky, and potentially the most profitable, of all the expenditures in which industry ventures capital."

Stockholders Must Unionize!

(Continued from first page)

from Britain's industrial nationalization or from Soviet totalitarianism. The threat is right at home. Our lawmakers impose excessive taxation, penalizing expansion of big business, crippling the growth of small business and thus precipitating state capitalism. Our commissions are zealous in over-regulating their particular industry and thus throttling it. Labor's program is restricted production by "featherbed" rules, and rigid wage costs. These cause corporate deficits, threatening bankruptcy and discharge of workers, and then pyramiding unemployment. Finally, the State intervenes to compound its prior errors. When private enterprise departs, totalitarian politics enter.

Stockholders are exploited by labor and ignored by politicians. Stockholders, unorganized, are powerless to check the inroads of unions, and the crushing burden of unsound taxation, both based on erroneous economic theories. Labor is now top-dog. To the demands of its leaders, elected and appointed officials often yield. Emergency Board decisions are accepted by management but are rejected by labor unions. These have several times compelled the President to order such judicial bodies to reopen closed cases and to make decisions acceptable to labor. The stockholders then paid the penalty.

The government thus surrendered sovereignty, its very essence. We then had government of the people, by the unions and for the unions. Such government must surely perish from this earth. Remember that the Republics of Athens and Rome lasted less than 300. years. Ours is now 166 years old. Thomas Macaulay, the British historian, predicted in 1857 that it would not last because it lacked adequate checks and restraints. His prediction will prove false, we pray, but should serve as a warning.

When the corporation is attacked, the stockholder is the victim. Corporations have been assailed as if they were owned by a few tycoons. But the vast multitude of small stockholders suffer. As Adolf A. Berle, Jr. and Gardiner Means wrote ("The Modern Corporation and Private Property," p. 355) "the owners of passive property by surrendering control and responsibility over the active property, have surrendered the right that the corporation should be operated in their sole interest. They have released the community from the obligation to protect them to the full extent implied in the doctrine of strict property rights." Thus, the stockholder has become the whipping-boy and outcast with no rights that either labor or government is bound to respect.

Administrative bureaus, such as the ICC or the SEC, have wiped out billions of stockholders' property. Appointed officials, irresponsible to the electorate, make arbitrary rulings which the courts refuse to review. Thus, these bureaus combine legislative, judicial and executive functions—"The New Despotism," as Britain's Lord Chief Justice Hewart phrased it. The ICC wiped out over $2 billion of railroad securities, ignoring Congress, which by large majorities twice passed bills so to reorganize bankrupt railroads as to give some continuing interest to the stockholders.

Similarly, the SEC expropriated stockholders of $4 to $6 billion by flouting Congress' unconditional order for regional integration of utility holding companies under Section 30 and by executing unconditionally, the clearly conditional Section 11(b). This stated that, *if* investors, consumers and the general public were adversely affected, then, and then only, *may* the holding companies be broken up. The SEC ignored the "*if*" clauses. Disintegration proceeded as under an absolute order. Integration was ignored. What was the result? Security prices fell. The decline was frozen when operating company stocks were wrested from the holding companies and sold to new buyers. These benefited by the subsequent appreciation to which their original owners, via the holding company stock, were entitled. Pleas by investors in holding companies were ignored. The two great speculative bonanzas, in bankrupt rails and utility holding companies, were launched by Federal bureaus, created to protect the investor. But investors were impoverished, while speculators were enriched.

Who is hurt? Not the managers, nor any of the so-called "60 families," but **millions of stockholders in the United States.** The overwhelming majority of these are small people. Because stock ownership is thus widely diffused, American corporations are in a real sense publicly-owned, though not State-owned. Ownership represents past labor or savings. However, the stockholder class is not rigid. There is no discrimination. There is no initiation fee. Everyone is eligible to enter and to leave. This is genuine democracy. Risk also involves loss. Many individuals and families that once had large stockholdings lost them through negligence or changes in our dynamic economy.

What Are the Causes?

The corporate form of business created new problems, ethical and political. In a small shop, the relations between employer and employee are governed by the established rules of individual ethics and of law. There, stealing and cheating are punishable crimes. When large corporations arose, they became impersonal, almost anonymous, and the owners were represented by managers. Similarly, when the individual employee was organized into unions, his personality vanished. He also became anonymous. Such anonymity encouraged exploitation of the unorganized owners by the organized employees. A fitting social ethics has not yet evolved. Stealing and cheating are not only tolerated, but legalized by government tribunals, as in "featherbedding" for example.

Again, the employees have become vocal through eloquent spokesmen of their unions who plead their cases before the bar of public opinion in radio forums, before Congressional Committees and before administrative bureaus. The unorganized owners, stockholders, lack these facilities. They are not vocal, because they have no authorized spokesmen. The managers, often men with salaries running into six figures, cannot speak effectively on behalf of the small stockholder whose individual annual income often is less than that of the workers. Besides, the politicians' dislike for men of wealth makes the manager a poor spokesman for the little people. As a result, the status of the small stockholder is gradually deteriorating. It fell through his negligence. It can be restored through his vigilance.

Social progress tends to lag behind mechanical progress. The mechanization of industry had social and political repercussions. Production vastly increased. The living standard rose greatly. But as the worker became increasingly specialized, he lost in bargaining power against a big employer. Therefore, unions were organized. They thus acquired political power and obtained rights which society, generally, concedes as just.

The employees have, but the stockholders have not, made up the lag in political and social adjustment to large-scale production and to the corporate form of business. **The employees and farmers obtained power by unionization** and by the exercise of political pressure. **But the employing stockholders remain unorganized** and have become the helpless victim of organized groups.

Of course, the pressure to organize differs in each case. An employee who is entirely dependent on a wage to meet his family budget has a 100% interest in increasing that wage. He is made union-conscious by appeals first to his self-interest. then to antagonism toward his employer, and in some cases to the theory of the class struggle. In addition his leaders have a personal interest in unionization, power over fellow-men, success over rivals, a place in national affairs and a life-long salary and pension. Therefore, the appeal to employees to organize succeeds.

But the employing stockholder may receive, say, 20% of his income from his shares and 80% from salary. If his stocks are diversified among ten issues, then only 2% of his annual income is derived from any one company and he, therefore, has less interest in the outcome of a strike than the worker has. Besides, group consciousness has not been aroused among employers, stockholders. It must be.

Yet there are several similarities between employers and employees. The total number of employers, stockholders, in individual companies often exceeds the number of employees, as in General Motors, American Telephone, etc. The total number of stockholders in the United States, estimated by Rufus Tucker and others at between 10 and 15 million, approaches the total membership in labor unions.

Again, there is mobility in both groups. The employee can change his job and the employer can change his stockholdings. However, while stockholders flee from poor management and obsolescing industries, employees do not. Under union organization, employees tend to become ever more rigid and indeed, often insist, for selfish interests and against stockholders' and public interests, on dictating wasteful employee policies, as on the railroads, without assuming financial responsibility therefor.

The individual stockholders, facing organized labor are as helpless as Indians with bow and arrow would have been against General Patton's organized and mechanized army. Unions have economic analysts, public relations counsel, legal specialists, effective fund-raising machinery and a potent, ruthless Washington lobby. What chance has the stockholder? Because employees are organized, Mr. Green and Mr. Murray can ask for appointments or often are invited to the White House to discuss national policy. If a stockholder asked for such an appointment, the Secret Service would whisk him away to Washington's St. Elizabeth Mental Hospital. Besides, who ever heard of a stockholder being invited to the White House? Indeed, whom could the President invite even if he wished to do so? Yet, there are more than 10 million stockholders and they all vote in elections and could be politically powerful, if equally organized.

Labor union lobbies are located right near legislative chambers, but there is no investors' lobby. Therefore, labor wins its demands, no matter how exaggerated, and investors lose their rights, no matter how minimal. The history of the stockholder is a record of what has been done to him. The future of the stockholder should be a program of what he will do to others who are throwing the economy out of balance.

The principle of equilibrium of forces, applied in machinery and in physiology, is ignored in our economic life. In constructing buildings and bridges, engineers apply the law of static equilibrium. In designing automobiles and locomotives, engineers apply the laws of dynamic equilibrium. The more powerful the engine, the more powerful must be the brake.

Laws of equilibrium also prevail in the human body. Every muscle in the body has its counterpart or check. Because muscles are thus paired into flexors and extensors, animals are able to move and function. Without such pairing, they could not even stand, but would collapse in a heap. There is also internal equilibrium in the healthy body, as the late Professor Walter B. Cannon of Harvard showed in "The Wisdom of the Body." But the economic organism lacks equilibrium and self-correcting mechanisms. For this reason, society is unstable and is subject to violent maladjustments, crises and even the danger of collapse. Mechanical invention and physiological evolution may furnish us a pattern for designing a stable economy.

What Is the Remedy?

Stockholders must be organized. In union there is strength. The stockholders should be encouraged by the management to organize. They have millions of votes and could exercise political influence. Congress would respond as readily as it does to other organized groups in a democracy.

United we stand; divided we fall. Business should apply the principles of political organization. Then it would be possible for the representatives of the approximately ten million American citizens, stockholders, mostly small, a veritable vast army, to appear before Congressional Committees. Does anyone believe that, against such popular pressure, the ICC would have confiscated many myriads of little holders in railroad reorganization? Or that the SEC would have imposed such drastic losses on vast multitudes of little fellows as the result of enforcing the unjust and destructive Death Sentence Clause? Organization of these masses is necessary.

Political and social forces should balance each other. A stockholders' union could offset the pressure of organized labor on government bodies. Let the stockholders arise, unite and fight for equal suffrage and equal rights, with other pressure groups.

Under present corporate functioning the potentialities of the owners are ignored. The stockholders have little to say about the policies of the corporation with respect to labor or government, but in these fields they could be effective if organized. Some way should be devised to bring the political influence of ten million fully organized stockholders to bear, both as a counterweight to labor unions and as a check on government officials.

Such organization of stockholders will foster political and economic equilibrium. The highly developed successful organization and strategy of other pressure blocs must be adopted by investors. The power of a pressure-group rests on the fact that it represents many votes. Therefore, during the 1943 hearings before the Senate Finance Committee on the utility corporation income tax, which I helped to organize, Senator Robert A. Taft said, "Would that the stockholders did organize." Let us apply, for the much beaten stockholder, the trenchant phrase of General Stillwell after our defeat in Burma, "We took a hell of a beating. Let us see how they did it and we shall come back."

Stockholders are at the "grass roots" of our economy. An analysis shows that approximately 80% of the stockholders in our leading companies own less than 100 shares. In some railroads which I examined, this percentage ran over 90%. Some companies, like American Telephone & Telegraph, General Motors, U. S. Steel and Pennsylvania RR., publish the distribution of their stockholders, showing the high percentage of the number of stockholders owning less than a modest amount of stock, about $2,500 average value. Every listed company should be *required* by the Stock Exchanges to publish such distribution of its stock. Diagnosis must precede cure. To frame a policy, get the facts.

Past efforts on behalf of the stockholders have been futile. Hitherto sporadic and haphazard organizations of stockholders have grown up around an individual. As a result, the organizations were small and too feeble to affect legislation or commission rulings. The Association of Railroad Securities Owners, organized a generation ago, has accomplished little to date. The same applies to the American Investors Union, the Investors League, the Tool Owners Union, the Committee of American Investors, and the Federation of Railway Progress. Many similar organizations vanished into oblivion. Their membership ranging from 5 to 15 thousand is insignificant compared to **a single corporation's stockholders,** say Consolidated Edison's 125,000 or Pennsylvania Railroad's 200,000, or General Motors' 400,000.

Without an organization of stockholders, the many efforts on behalf of free enterprise must be feeble such as Edward F. Hutton's one-man campaign through full page ads in the newspapers, or the Committee for Constitutional Government's, and Foundation for Economic Education's vast volume of literature, from clippings to books, or the Committee for Economic Development's fine scientific studies. Who can say that these had any practical effect on labor leaders or legislation? How effective would the CIO or the AFL be on a similar basis? But if stockholders are organized, these publicity efforts would, through them, influence labor and government circles. These committees and foundation would supplement, but cannot substitute stockholders unions. Much good work is now lost like good natural gas escaping into the air, whereas it should be capped and channeled to the machinery that can convert it into political power.

Let us learn from past failures. To ignore such experience is folly. The reason for failure is that these organizations were not organized functionally. Labor unions are successful because they were grouped, not around a man but around actual economic structures and functions. The AFL unions are built around a craft, as metal-workers or carpenters. The CIO unions are built around an industry, such as steel or automobile. Imagine how pifflingly futile labor unions would be if they were organized on the same haphazard voluntary and all-inclusive basis as the investors' organizations! **To succeed like labor unions, stockholders' unions must be built around** an existing economic institution, like **the corporation or the industry.**

Obviously, some new approach is necessary. What is needed now is deliberate encouragement to stockholders to organize unions and to give them an adequate direction, and to extend such organization over the whole field of the listed companies. Stockholders' unions could then be powerful in effecting political changes to strengthen private enterprise. Such organization would have

greatly enhanced the success of efforts over the past decade, to obtain relaxation of legislation and of bureau rules inimical to stockholders, which I either originated or participated in, as in legislation on the capital gains tax (1938 and 1942), general corporation and utility corporation income tax (1942 and 1943), and in commission rulings as in the Death Sentence of Utility Holding Companies (1943 to 1946), and reorganization of bankrupt rails, (1943 to 1946). How easy would have been a victory if millions of organized voters had backed these efforts.

One corporation has been a courageous pioneer in organizing its own stockholders. The Pennsylvania Railroad Company, at the annual meeting in April, 1947, encouraged the formation of a committee to include "large and small stockholders to be appointed by the management and to be available to work with the management on labor and government matters, which also concern the stockholders."

In his letter to stockholders, the Secretary of the Pennsylvania Railroad stated, "The (stockholders') Committee also expressed an interest in ways to bring about more harmony between the governmental decisions which increase labor costs . . . and those which control the income. The stockholders themselves have a direct responsibility and can be more effective in presenting their views to the press, to members of Congress and to regulatory bodies than through . . . management. It was deemed of the greatest importance that the stockholders assume such responsibility, since their investments make possible the existence of the company and of the jobs held by employees and, therefore, they are entitled to a return on their investments and should be active in protecting their interests and in opposing any action that might jeopardize their investments. The President, on behalf of the management, stated that he considered it very desirable to have the stockholders take such an interest."

The experiment by the Pennsylvania Railroad should be developed further and widely adopted. There should be a union of stockholders for each company. The stockholders now depute to their managers the business problems of sales, production, costs, profits, dividends and finance. The stockholders, when organized, should depute to a Special Committee of the Stockholders' Union the non-business problems, such as public relations, labor relations and government relations.

The stockholders' interests and their broad social and political character should be emphasized. An executive committee representing the stockholders' union should be kept advised of developments in the affairs of the company. This executive committee could send to stockholders its communications, either independently or along with the management's statements accompanying quarterly reports or dividend checks. Again, in annual meetings, after the President or Chairman presents the report of business operations, the head of the Stockholders' Committee should present his report on public relations, including labor and government. Public-spirited men, engineers, accountants, lawyers, professors or ex-Congressmen, or ex-officials of Commissions respected in labor and government circles, could be selected from the list of the company's stockholders to serve as directors of the board of the stockholders' union. A modest fee should compensate them for such services. One outstanding corporation director should be either Chairman of such Stockholders' Union Board or its liaison officer.

The Stockholders' Union should be financed not by voluntary contribution but by a fixed charge on corporate income. There should be a check-off, similar to labor union dues, of a few cents per share, or some equivalent tiny fraction of the profits or dividends. This is a legitimate business expense, since it is concerned with defending the interests of the corporation. There are over 2.0 billion shares listed on the New York Stock Exchange and over 600 million shares are listed on the New York Curb. Thus, dues of 1 cent per share would produce the equivalent of about $26 million in union dues, a social insurance fund to protect stockholders.

How much effective research, publicity and political influence this would make possible! The corporation should benefit financially and recoup this expense. For if a company's stockholders are organized, its stock may well be favored by the market and sell at a higher price or lower yield. Thus its expansion would be facilitated.

Yet, this fund is insignificant, ⅓ of 1% of total dividends which averaged about $7.3 billion in 1947-48 (about 3.2% of the national income). Such $26 million of stockholder union dues is a small fraction (7%) of the total receipts of labor unions which amounted to about $389 million of which union dues alone exceeded $218 million, according to the latest U. S. Treasury report (1943). By contrast existing investors organizations now collect paltry sums, a few thousand dollars, or just about enough to cover printing, mailing and postage and some modest overhead expense, leaving nothing for basic research and public education. Therefore, they now futilely fan the air, utterly ineffective and hardly even noticed. The managers are volunteers and serve gratis. How effective would Philip Murray, William Green or John Lewis be under similar conditions?

The vast disparity between the sums now raised by labor organizations and stockholder organizations explains the correspondingly immense difference in affecting legislation and administrative rulings. For the stockholders groups, the discrepancy between their ends and means is obvious. The existing investors' associations seem like a man trying to move a mountain of ore with an infant's toy shovel and pail and they are just about as successful.

Company stockholders' unions should be united into industrial groups. Just as the Chrysler Labor Union and the General Motors Labor Union are combined into the United Auto Workers Union, so the stockholders of Chrysler and of General Motors should be combined in a United Automobile Stockholders' Union, under distinguished public-spirited leadership. Similar groups should be constituted for railroads, utilities, steel, coal, and other industries. Then when there is a labor demand on a nationwide scale within any industry, the United Stockholders Union in that industry should be represented at the national wage hearings to state the case for the many myriads of little stockholders.

All the unions covering an entire industry should then be affiliated into a National Federation of Stockholders' Unions. This would correspond to the AFL or to the CIO. Such a National Federation could become a powerful political force for defense.

Congressional hearings would be as greatly impressed by the personal appearance of representatives of stockholders' unions as was the Senate Committee on Interstate Commerce when an elderly stockholder appeared at the hearings on Railroad Reorganization (S. 1253) in March, 1946. This stockholder, having lost his money in bankrupt railroad preferred stocks, got a job in Washington. He stated that only for this reason was he, among multitudes similarly ruined, able to appear at the hearings to protest against the elimination of stockholders by the unjust ICC reorganizations. The Senate Committee listened to him with rapt attention and roundly criticized the members of the ICC attending the hearings for their unsympathetic attitude.

To accomplish its purpose, the National Federation of Stockholders' Unions should have the relevant data marshalled by scientific organizations, like the National Bureau of Economic Research, the 20th Century Fund, the Brookings Institution, or that unique business service, the Econometric Institute. Such a Stockholders' Federation should, like the AFL and CIO, sponsor radio forums to present the facts in the court of public opinion.

Under suitable legislation, stockholders' unions can grow as rapidly as did labor unions under a similar stimulus. Therefore, laws should be passed to stimulate the formation of stockholders' unions. These could protect government officials against undue influence of anti-social "pressure-groups" inimical to the stockholder, the consumer and to the government itself. Indeed, with the accelerated trend toward socialization and nationalization, private enterprise may die and there may be no more need for dealers or brokers or investment counsel or services or financial publications or financial editors. Therefore all of those affected should help to save stockholders and thus to save themselves also.

What should be the aims of a stockholders' organization? Its objectives should include the broad field of labor relations, taxation and other legislation, consumer interests and other public relations, viz.: (a) to protect the stockholder against organized minorities and pressure groups, (b) to oppose destructive administrative rulings and to urge remedies, (c) to preserve private enterprise and its twin, political freedom, (d) and to help labor to develop its social ethics and a social conscience with full recognition of responsibility of labor union officials to their own members, to their employers, i.e., the stockholders, and, most of all, to consumers, out of whose purchases alone wages can come. To put a floor under human suffering requires that we remove the ceiling over effort. Only under risk-taking and an expanding economy can we legislate social welfare.

Stockholders' unions could cooperate with other interested groups on common problems. On tax problems, the stockholders' unions could join taxpayers' associations. They could also cooperate with consumers' organizations in resisting unreasonable demands of the farm bloc and labor union pressure-groups. And, finally, such stockholders' unions could cooperate closely with the labor unions in many mutual interests affecting their own industry, for weal or woe.

The National Federation of Stockholders' Unions could be the politically effective spokesman in defense of free enterprise. There is no authorized responsible spokesman today. What attention is paid in Washington to the flood of speeches delivered continually by officials of the ABA, IBA, NAM, etc.? It merely relieves both speaker and audience of pent-up indignation — a sort of blowing off steam psychologically when the pressure rises.

When organized groups advocate selfish policies, they always identify their own ruthless demands with the national interest, and construct fanciful rationalizations of their anti-social designs. Yet the unorganized exploited majority cannot reply, lacking a spokesman. If the stockholders were organized, they could expose these fallacies. Perhaps government officials would not dare to repeat such fallacies, if they knew that stockholders also were organized, vocal and aroused voters, to be feared at the polls equally with the "pressure group" minority, for which they now speak.

Ownership and management have been too greatly segregated. They are essentially and functionally united. Their common interests are greater than their conflicting interests. Both stockholders and managers must unite against continually increasing external political and social dangers. The managers must cease to keep the stockholder in the background, as if he were some half-wit relative. Instead he is like Jephthah, the Gileadite, the outcast who was recalled to save the community from impending danger.

The organization of Stockholders' Committees may be discouraged by some managers because of the fear of nuisance minorities organized and directed by "strike-suit" lawyers, who for a fee seek to embarrass and blackmail officers and directors. This difficulty could be obviated in several ways. The organized majority of stockholders could outvote the minority and squelch it more effectively than can the management which often buys off such blackmail suits. Or the management could submit or approve a list of outstanding candidates, half of whom the stockholders would select for the union's board. Or an obnoxious candidate trying to foment trouble could be challengeable by the management, subject to reasonable conditions, as a candidate for a jury panel can be challenged and excluded.

What is the next step to be taken?

Perhaps some forward-looking corporations could be persuaded to follow the lead of the Pennsylvania Railroad and invite their stockholders to form a union. Under the lead of a few enlightened and progressive corporations, it should be possible within a short time to **organize the American stockholders** so as to become an effective force in preserving free enterprise and free government.

A Temporary Organizing Committee should be formed by issuing houses, stock exchange firms and investment trusts, who should be trustees for their clients and for all stockholders. Representatives should be chosen that have close contacts with company executives. Such an *ad hoc* committee could undertake the preliminary educational work. Twenty-five such firms, each contributing the salary of one messenger, could set up a temporary organization until an over-all organization of stockholders is created.

The magnitude of this undertaking is not to be underrated. It is no dream, if stockholders wish it. It will call for economic statesmanship of a high order. **The time is opportune and the need is urgent.** Early action is essential. If the present lack of policy continues, free private enterprise may wither, even in our last corner of the globe.

"Where there is no vision, the people perisheth." This fate applies to business corporations, to private enterprise, to institutions, to political parties, nations, social systems and civilizations. Our system cannot be stable when existing powerful organized groups push along a dangerous trend without an equally balancing force to restrain it. Our free political system has been stable because of constitutional checks and balances. To survive, our free economic system must find corresponding social and organizational checks and balances.

The stockholders are now the underdog of our economy. Where is their Sam Gompers or John Mitchell that will organize them? Let us apply the classic command of Marshal Foch of France in 1918. "My center is retreating. My right is turning. I shall attack!" Here is a call for courage and leadership.

Opposes St. Louis Exchange Merger

George C. Smith says it will be unfavorable to St. Louis.

According to a dispatch of the Associated Press, dated June 27, George C. Smith, President of the St. Louis Chamber of Commerce, stated that the merger of the St. Louis Stock Exchange with three other Midwestern exchanges in Chicago will cause "some grave injuries" to St. Louis.

The proposed merger of the exchanges of Cleveland, St. Louis, Chicago and Cincinnati is tentatively scheduled for Sept. 1. Members of the St. Louis exchange voted 28 to 6 in favor of the merger May 26.

I can see some personal advantages to be gained by the local brokers and especially by the Chicago exchange and Chicago bankers," Mr. Smith added. "But I can also see some grave injuries affecting St. Louis and possibly some firms whose stocks are now listed on our local exchange."

It is rumored that a group opposed to the merger is seeking a new referendum on the question. Failing that, the group is reported planning a continuation of some sort of securities exchange in St. Louis.

Pennsylvania Pr. & Lt. Issues Stock Rights

Pennsylvania Power & Light Co. is offering to its common stockholders the right to subscribe at $16.25 per share for 415,903 shares of additional common stock at the rate of one share for each seven shares held of record June 27, 1949. The subscription warrants expire July 19, 1949. The offering has been underwritten by an investment banking group jointly headed by Drexel & Co. and The First Boston Corp.

Out of any unsubscribed shares, the company will offer to each employee the privilege of subscribing to not more than 150 shares at the subscription price. Common stockholders will have the privilege of subscribing for additional shares, subject to allotment out of the shares, if any, not subscribed for by warrant holders or employees.

Proceeds from the sale of the new common stock will be used in connection with the company's construction program. The company estimates that its construction expenditures for the 3½ years ending with 1952 will be around $75,000,000. To complete this program, according to the company, an additional $25,000,000 will have to be raised from the issuance and sale of new securities. The company is not now able to state when additional financing will be undertaken or the nature or amount thereof except that, depending on market conditions, it is expected that additional shares of preferred stock will be offered in the near future. The number of such shares has not yet been determined but it is expected that it will not exceed 75 000 shares.

The company's service territory in central eastern Pennsylvania includes large agricultural and industrial sections and has a population of more than 1,700,000. For the 12 months ended April 30, 1949, operating revenues were $68,180,502 and net income $8,661,192.

Truman Outlines "Point IV" Program

(Continued from first page)

other countries to assist the peoples of economically under-developed areas to raise their standards of living, I recommend the enactment of legislation to authorize an expanded program of technical assistance for such areas, and an experimental program for encouraging the outflow of private investment beneficial to their economic development. These measures are the essential first steps in an undertaking which will call upon private enterprise and voluntary organizations in the United States, as well as the government, to take part in a constantly growing effort to improve economic conditions in the less developed regions of the world.

The grinding poverty and the lack of economic opportunity for many millions of people in the economically under-developed parts of Africa, the Near and Far East, and certain regions of Central and South America, constitute one of the greatest challenges of the world today. In spite of their age-old economic and social handicaps, the peoples in these areas have in recent decades been stirred and awakened. The spread of industrial civilization, the growing understanding of modern concepts of government and the impact of two world wars have changed their lives and their outlook. They are eager to play a greater part in the community of nations.

All these areas have a common problem. They must create a firm economic base for the democratic aspirations of their citizens. Without such an economic base they will be unable to meet the expectations which the modern world has aroused in their peoples. If they are frustrated and disappointed they may turn to false doctrines which hold that the new way of progress lies through tyranny.

Hold Tremendous Promise for U. S.

For the United States the great awakening of these peoples holds tremendous promise. It is not only a promise that new and stronger nations will be associated with us in the cause of human freedom, it is also a promise of new economic strength and growth for ourselves.

With many of the economically under-developed areas of the world we have long had ties of trade and commerce. In many instances today we greatly need the products of their labor and their resources. If the productivity and the purchasing power of these countries are expanded our own industry and agriculture will benefit. Our experience shows that the volume of our foreign trade is far greater with highly developed countries than it is with countries having a low standard of living and inadequate industry. To increase the output and the national income of the less developed regions is to increase our own economic stability.

In addition, the development of these areas is of utmost importance to our efforts to restore the economies of the free European nations. As the economies of the under-developed areas expand they will provide needed products for Europe and will offer a better market for European goods. Such expansion is an essential part of the growing system of world trade which is necessary for European recovery.

Furthermore, the development of these areas will strengthen the United Nations and the fabric of world peace. The preamble to the charter of the United Nations states that the economic and social advancement of all people is an essential bulwark of peace. Under Article 56 of the charter, we have promised to take separate action and to act jointly with other nations "to promote higher standards of living, full employment, and and conditions of economic and social progress and development."

For these various reasons assistance in the development of the economically under-developed areas has become one of the major elements of our foreign policy. In my inaugural address, I outlined a program to help the peoples of these areas to attained greater production as a way to prosperity and peace.

Peoples in Undeveloped Areas Must Cooperate

The major effort in such a program must be local in character it must be made by the people of the under-developed areas themselves. It is essential, however, to the success of their effort that there be help from abroad. In some cases, the peoples of these areas will be unable to begin their part of this great enterprise without initial aid from other countries.

The aid that is needed falls roughly into two categories. The first is the technical, scientific and managerial knowledge necessary to economic development. This category includes not only medical and educational knowledge, and assistance and advice in such basic fields as sanitation, communications, road building and governmental services, but also, and perhaps most important, assistance in the survey of resources and in planning for long-range economic development.

The second category is production goods—machinery and equipment—and financial assistance in the creation of productive enterprise. The under-developed areas need capital for port and harbor development, roads and communications, irrigation and drainage projects, as well as for public utilities and the whole range of extra-active, processing and manufacturing industries. Much of the capital required can be provided by these areas themselves, in spite of their low standards of living. But much must come from abroad.

The two categories of aid are closely related. Technical assistance is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications or education is required to create conditions in which capital investment can be fruitful.

Technical Cooperation

This country, in recent years, has conducted relatively modest programs of technical cooperation with other countries. In the field of education, channels of exchange and communication have been opened between our citizens and those of other countries. To some extent, the expert assistance of a number of Federal agencies, such as the Public Health Service and the Department of Agriculture, has been made available to other countries. We have also participated in the activities of the United Nations, its specialized agencies, and other international organizations to disseminate useful techniques among nations.

Through these various activities, we have gained considerable experience in rendering technical assistance to other countries. What is needed now is to expand and integrate these activities and to concentrate them particularly on the economic development of under-developed areas.

Much of the aid that is needed can be provided most effectively through the United Nations. Shortly after my inaugural address, this Government asked the Economic and Social Council of the United Nations to consider what the United Nations and the specialized international agencies could do in this program.

The Secretary General of the United Nations thereupon asked the United Nations Secretariat and the Secretariats of the specialized international agencies to draw up cooperative plans for technical assistance to under-developed areas. As a result, a survey was made of technical projects suitable for these agencies in such fields as industry labor, agriculture, scientific research with respect to natural resources, and fiscal management. The total cost of the program submitted as a result of this survey was estimated to be about $35 million for the first year. It is expected that the United Nations and the specialized international agencies will shortly adopt programs for carrying out projects of the type included in this survey.

In addition to our participation in this work of the United Nations, much of the technical assistance required can be provided directly by the United States to countries needing it. A careful examination of the existing information concerning the under-developed countries shows particular need for technicians and experts with United States training in plant and animal diseases, malaria and typhus control, water supply and sewer systems, metallurgy and mining, and nearly all phases of industry.

It has already been shown that experts in these fields can bring about tremendous improvements. For example, the health of the people of many foreign communities has been greatly improved by the work of United States sanitary engineers in setting up modern water supply systems. The food supply of many areas has been increased as the result of the advice of United States agricultural experts in the control of animal diseases and the improvement of crops. These are only examples of the wide range of benefits resulting from the careful application of modern techniques to local problems. The benefits which a comprehensive program of expert assistance will make possible can only be revealed by studies and surveys undertaken as a part of the program itself.

Initial Outlay Put at $45 Million

To inaugurate the program, I recommend a first year appropriation of not to exceed $45,000,000. This includes $10,000,000 already requested in the 1950 budget for activities of this character. The sum recommended will cover both our participation in the programs of the international agencies and the assistance to be provided directly by the United States.

In every case, whether the operation is conducted through the United Nations, the other international agencies, or directly by the United States, the country receiving the benefit of the aid will be required to bear a substantial portion of the expense.

The activities necessary to carry out our program of technical aid will be diverse in character and will have to be performed by a number of different government agencies and private instrumentalities. It will be necessary to utilize not only the resources of international agencies and the United States Government, but also the facilities and the experience of the private business and non-profit organizations that have long been active in this work.

Since a number of Federal agencies will be involved in the program, I recommend that the administration of the program be vested in the President with authority to delegate to the Secretary of State and to other Government officers, as may be appropriate. With such administrative flexibility, it will be possible to modify the management of the program as it expands and to meet the practical problems that will arise in its administration in the future.

The second category of outside aid needed by the under-developed areas is the provision of capital for the creation of productive enterprises. The International Bank for Reconstruction and Development and the Export-Import Bank have provided some capital for under-developed areas, and, as the economic growth of these areas progresses, should be expected to provide a great deal more. In addition, private sources of funds must be encouraged to provide a major part of the capital required.

Serious Difficulties in Flow of U. S. Capital

In view of the present troubled condition of the world—the distortion of world trade, the shortage of dollars, and other aftereffects of the war—the problem of substantially increasing the flow of American capital abroad presents serious difficulties. In all probability novel devices will have to be employed if the investment from this country is to reach proportions sufficient to carry out the objectives of our program.

All countries concerned with the program should work together to bring about conditions favorable to the flow of private capital. To this end we are negotiating agreements with other countries to protect the American investor from unwarranted or discriminatory treatment under the laws of the country in which he makes his investment.

In negotiating such treaties we do not, of course, ask privileges for American capital greater than those granted to other investors in under-developed countries or greater than we ourselves grant in this country. We believe that American enterprise should not waste local resources, should provide adequate wages and working conditions for local labor, and should bear an equitable share of the burden of local taxes. At the same time, we believe that investors will send their capital abroad on an increasing scale only if they are given assurance against risk of loss through expropriation without compensation, unfair or discriminatory treatment destruction through war or rebellion, or the inability to convert their earnings into dollars.

Although our investment treaties will be directed at mitigating such risks, they can not eliminate them entirely. With the best will in the world a foreign country, particularly an under-developed country, may not be able to obtain the dollar exchange necessary for the prompt remittance of earnings on dollar capital. Damage or loss resulting from internal and international violence may be beyond the power of our treaty signatories to control.

Many of these conditions of instability in under-developed areas which deter foreign investment are themselves a consequence of the lack of economic development which only foreign investment can cure. Therefore to wait until stable conditions are assured before encouraging the outflow of capital to under-developed areas would defer the attainment of our objectives indefinitely. It is necessary to take vigorous action now to break out of this vicious circle.

Guarantee to Private Capital

Since the development of under-developed economic areas is of major importance in our foreign policy, it is appropriate to use the resources of the Government to accelerate private efforts toward that end. I recommend, therefore, that the Export-Import Bank be authorized to guarantee United States private capital, invested in productive enterprises abroad which contribute to economic development in under-developed areas, against the risks peculiar to those investments.

This guarantee activity will at the outset be largely experimental. Some investments may require only a guarantee against the danger of inconvertibility, others may need protection against the danger of expropriation and other dangers as well. It is impossible at this time to write a standard guarantee. The Bank will, of course, be able to require the payment of premiums for such protection, but there is no way now to determine what premium rates will be most appropriate in the long run. Only experience can provide answers to these questions.

Resources Sufficient

The bank has sufficient resources at the present time to begin the guarantee program and to carry on its lending activities as well without any increase in its authorized funds. If the demand for guarantees should prove large, and lending activities continue on the scale expected, it will be necessary to request the Congress at a later date to increase the authorized funds of the Bank.

The enactment of these two legislative proposals, the first pertaining to technical assistance and the second to the encouragement of foreign investment, will constitute a national indorsement of a program of major importance in our efforts for world peace and economic stability. Nevertheless, these measures are only the first steps. We are here embarking on a venture that extends far into the future. We are at the beginning of a rising curve of activity, private, governmental and international, that will continue for many years to come. It is all the more important, therefore, that we start promptly.

In the economically under-developed areas of the world today there are new creative energies. We look forward to the time when these countries will be stronger and more independent than they are now, and yet more closely bound to us and to other nations by ties of friendship and commerce, and by kindred ideals. On the other hand, unless we aid the newly awakened spirit in these peoples to find the course of fruitful development, they may fall under the control of those whose philosophy is hostile to human freedom, thereby prolonging the unsettled state of the world and postponing the achievement of permanent peace.

Before the peoples of these areas we hold out the promise of a better future through the democratic way of life. It is vital that we move quickly to bring the meaning of that promise home to them in their daily lives.

Walston, Hoffman to Admit

SAN FRANCISCO, CALIF. — Clarence P. Cuneo will be admitted to partnership in Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, on July 7. Claire G. Hoffman retires as a general and limited partner on the same date.

Kymar Trading Co.

Kymar Trading Co., Inc. has been formed with offices at 55 West 42nd Street, New York City, to conduct a securities business. Officers are Tom Kryanis, President; Martin Culucundis, Vice-President; and Concetta Gallelli, Secretary-Treasurer.

The State of Trade and Industry

(Continued from page 5)

for steel users who have had to pay big freight bills from remote points.

Freight absorption in steel will depend, says this trade paper, on what the freight rate is and how much has to be absorbed. If it is too high it may be uneconomical for the steel firms to do it. Heavy thinking must be done to comply in such a way that there will be no question of long legal battles trying to prove no collusion, good faith and no injury to competition.

This week it looks like there could be trouble in the steel labor negotiations. If Mr. Murray's steelworkers get no wage increase but a good social security package—without pensions—there is only a remote possibility of a strike, "The Iron Age," points out.

As things stand now it is a good guess that the steelworkers will not get a wage increase but they may be successful in their fringe demands. But as to pensions it looks as though steel firms will stick to their guns and not give in.

Steel operations this week have shown the sharpest drop of the year. Part of the dip is due to seasonal factors, for July is normally a poor production month—even during the war July production generally dropped below the June level. Part is due to shutdowns of furnaces for the July 4th holiday and part can be laid to declining business, this trade paper concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 79.9% of capacity for the week beginning June 27, 1949, as against 84.4% in the preceding week, or a decline of 5.3%.

This week's operating rate is equivalent to 1,473,000 tons of steel ingots and castings for the entire industry, compared to 1,555,900 tons a week ago, 1,692,300 tons, or 91.8% a month ago, and 1,716,000 tons, or 95.2% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS OFF SHARPLY IN WEEK ENDED JUNE 18, DUE TO WEEK HOLIDAY IN COAL MINES

Loadings of revenue freight for the week ended June 18, 1949, during which the output of coal was largely suspended due to the week holiday ordered by John L. Lewis for the coal fields, totaled 649,351 cars, according to the Association of American Railroads. This was a decrease of 158,805 cars, or 19.7% below the preceding week.. It also represented a decrease of 257,280 cars, or 28.4% below the corresponding week in 1948, and a decrease of 251,945 cars or 28% below the similar period in 1947.

ELECTRIC OUTPUT SHOWS FURTHER RISE LAST WEEK AS A RESULT OF HOT WEATHER IN THE SOUTH-CENTRAL, ROCKY MOUNTAIN AND PACIFIC COAST REGIONS

The amount of electrical energy distributed by the electric light and power industry for the week ended June 25, was estimated at 5,466,169,000 kwh., according to the Edison Electric Institute. This represented an increase of 93,569,000 kwh. above output in the preceding week, 209,471,000 kwh. or 4.0% higher than the figure reported for the week ended June 26, 1948, and 791,421,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT LAST WEEK ESTABLISHED 20-YEAR HIGH RECORD

Production of cars and trucks in the United States and Canada the past week advanced to an estimated 150,948 units to attain a new postwar record compared to 146,056 (revised) units in the preceding week, "Ward's Automotive Reports" states.

June output also will set a new record since 1929, with an estimated output of 628,300 cars and trucks for U. S. and Canadian plants, Ward's reported. The figure was exceeded in two months of 1929.

The total compares with 95,027 units a year ago and 127,926 units in the like week of 1941.

Last week's output consisted of 119,735 cars and 23,680 trucks built in the United States and 4,600 cars and 2,933 trucks in Canada.

BUSINESS FAILURES HOLD STEADY IN LATEST WEEK

Commercial and industrial failures remained at 196 in the week ended June 23, unchanged from the preceding week, Dun & Bradstreet, Inc., reports. They were, however, considerably more numerous than in the comparable weeks of 1948 and 1947 when 111 and 70 occurred, but were 37% less than the 310 in the same week of prewar 1939.

Retail, manufacturing and commercial service failures declined slightly in the week with the only increase occurring in construction which had 23 casualties as against 19 a week ago and 5 a year ago.

The Middle Atlantic and East North Central States reported increases to 56 and 48 casualties respectively or about three times the 1948 figures. A moderate decline prevailed in most other regions.

FOOD PRICE INDEX UNCHANGED IN LATEST WEEK

Advances in individual food items balanced out the declines the past week and the Dun & Bradstreet wholesale food price index for June 21 continued unchanged at its previous level of $5.68. This represented a drop of 20.7% from $7.16 recorded on the like date a year ago.

Moving higher during the week were flour, corn, rye, oats, sugar, cottonseed oil, cocoa, hogs and lambs. On the down side were wheat, barley, beef, hams, bellies, eggs and steers.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX TOUCHES NEW LOW SINCE EARLY FEBRUARY, 1947

Following the comparative steadiness of the past few weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned downward last week to reach a new low level since early February, 1947. The index closed at 241.59 on June 21, compared with 242.50 a week ago, and 290.45 a year ago.

Irregular price movements were again visible in leading grain markets in the week.

This was particularly true in wheat which declined sharply toward the close of the period as the result of better weather conditions which permitted resumption of harvesting in many areas of the Southwest.

PMA purchases of around 700,000 sacks of flour resulted in some scattered mill buying during the week. The outlook for the corn crop was reported excellent as recent general rains helped to restore a deficiency in moisture. Corn prices remained about steady throughout the week. Oats and barley moved in a moderate range with prices fairly firm.

Domestic flour buying resumed a cautious attitude following the moderate expansion in bookings the week before.

Stocks of flour were said to be at a low level both at the mill and consumer ends.

Cocoa prices rose moderately, aided by a somewhat broader manufacturer interest in the spot market. Coffee and sugar were fairly active with prices steady to firmer. Lard sales were smaller than a week ago and prices ruled about steady. Following recent strength in dressed meats, prices turned sharply lower the past week. This was reflected in leading livestock centers where hog, steer and lamb quotations showed further reductions from a week ago.

Cotton prices developed a somewhat firmer tone last week although activity in domestic spot markets continued to decline.

Demand was stimulated by reports of unfavorable weather in the cotton belt and the possibility that the loan rate of 90% of parity would be continued through the 1950 crop.

Tending to hold advances in check were liquidation induced by weakness in outside markets, continued lagging mill consumption and the slower tempo in cotton gray goods markets. Inquiries were fairly numerous but volume of trading in the 10 spot markets declined to 45,900 bales in the latest week, against 55,500 the previous week and 48,200 in the same week a year ago. Export sales increased slightly but total volume remained comparatively small.

Mill consumption of cotton during May, as estimated by the Bureau of the Census, totalled 580,000 bales, as compared with 597,000 in April and 786,000 in May of last year. On a daily rate basis, consumption during May averaged only 26,700 bales, against 28,800 the previous month, and 37,900 in May a year ago.

Repossessions of 1948 loan cotton in the week ending June 9 were reported at 68,700 bales, a sharp drop from the high level of 96,800 bales the week before. Withdrawals for the season through June 9 totaled 1,295,300 bales, leaving 3,975,000 bales under loan on that date.

RETAIL AND WHOLESALE TRADE THE PAST WEEK WAS ONLY SLIGHTLY UNDER THE LEVEL OF THE CORRESPONDING PERIOD IN 1948

Despite unfavorable weather in some sections, total retail dollar volume was sustained at a high level in the period ended on Wesnesday. It continued to be slightly below that of the corresponding week in 1948, according to Dun & Bradstreet, Inc., in its current weekly survey of trade.

Promotional sales of seasonal merchandise generally evoked a favorable response.

Consumer demand continued to center on moderately priced merchandise of good quality.

With the help of purchases for Father's Day, retail apparel volume was maintained near the level of the previous week. The demand for men's slacks, sportswear and haberdashery rose slightly. Women's cotton dresses, sportswear and bathing suits remained in substantial demand. Interest in piece goods for home sewing also remained large.

The dollar volume of retail food purchases dipped slightly last week and a trifle below that of the comparable week a year ago.

The demand for large meat cuts declined modestly, while cold cuts, poultry and dairy foods remained popular. The retail volume of fresh fruits and vegetables also dropped slightly.

Retail volume of furniture and housewares was approximately even with the moderate level of the previous week, but it continued to be somewhat below that of the similar week a year ago. Bedding, small tables, television sets and floor coverings were among the best-selling home furnishing items. The demand for many electrical appliances and for heavy case goods remained limited.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 1 to 5% below that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England unchanged to down 4, East down 2 to up 2, South down 4 to down 8, Midwest and Southwest down 3 to down 7, Northwest down 4 to down 7, and Pacific Coast down 2 to down 6.

An increase in orders for Fall delivery boosted wholesale volume slightly in the week leaving it moderately below the high level of the comparable week last year. The number of buyers attending many wholesale markets rose moderately again last week and noticeably exceeded the total of the corresponding week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 18, 1949, dereased by 8% from the like period of last year and compared with a decrease of 5% in the preceding week. For the four weeks ended June 18, 1949, sales registered a decrease of 7% from the corresponding period a year ago, and for the year to date a like decline of 4%.

Retail trade in New York aided by good seasonal weather managed to hold to its recently established pattern and dollar volume for department stores consequently only declined by about 9% for the week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 18, 1949, declined by 10% from the same period last year. In the preceding week a decrease of 7% was registered below the similar week of 1948. For the four weeks ended June 18, 1949, a decrease of 10% was reported under that of last year. For the year to date volume decreased 6%.

Cleveland Bond Club Elect New Officers

CLEVELAND, OHIO — At the recent election of officers for The Bond Club of Cleveland, the following were elected:

Clarence F. Davis of The First Cleveland Corp., President; Wm. H. Watterson of Fahey, Clark & Co., Vice-President; Carl H. Doerge of Wm. J. Mericka & Co., Treasurer; David A. Field of The First Boston Corp., Secretary.

Clarence F. Davis

Carl H. Doerge

Also earlier in the year, the new governors elected for a three year term were:

David A. Field of The First Boston Corporation; W. Yost Fulton of Maynard H. Murch & Co.; Guy W. Prosser of Merrill Lynch, Pierce, Fenner & Beane.

First Boston Offers Central Ill. Common

Represents Unsubscribed portion.

Common stockholders of Central Illinois Public Service Co. subscribed for 169,777 shares of the 446,000 shares of common stock offered by the company to the common stockholders for subscription at $14.125 per share. The offering was underwritten by The First Boston Corp. and associates. Prior to the expiration of the subscription warrants on June 23, the underwriters subscribed for 29,598 shares through exercise of rights purchased by them and sold 94,672 shares to dealers. Thus, the underwriters acquired a total of 305,821 shares, of which 65,074 shares were delivered on account of the sales made prior to the expiration of the subscription warrants.

The underwriting group made a public offering June 27 of the remaining 211,149 shares at $14.50 per share. The subscription books were closed shortly after SEC clearance of the offering.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of James E. Lawler to Benjamin H. Roth will be considered by the Exchange on July 7. Mr. Roth will continue as a partner of B. H. Roth & Co.

Louis P. Rocker, exchange member, retires from partnership in Adler, Coleman & Co. June 30.

Interest of the late Thomas Henderson in Betts, Borland & Co., ceased June 7.

Charles G. Rodgers withdraws from Butcher & Sherrerd effective June 30.

Edwin P. Wheeler retires from John V. Dunne & Co. effective June 30.

Charles Warner retires from A. M. Kidder & Co., June 30.

Jay Kaufmann to Admit

Robert E. Rich will be admitted to partnership in Jay W. Kaufmann & Co., 120 Greenwich St., New York City, members of the New York Curb Exchange, effective July 1.

Financial Agencies in Promoting Utility Investor Relations

(Continued from page 8)

group of life insurance companies on the grounds that the insurance industry already has too much potential control over utilities. Insurance companies are very sensitive to that sort of criticism.

Another development, which may well be watched, is the growing favor tax exempt securities are finding. Some of these are revenue bonds issued by public utility authorities, the proceeds of which might be used in competition with private electric systems. These warnings emphasize the necessity for greater cooperation with and more effective cultivation of institutional investors. Their committees are working to broaden the list of permitted investments through more liberal regulations of preferred stock holdings, and there is even some discussion looking toward qualified common shares as an approved investment. The active and continuing cultivation of life insurance companies by individual utilities is definitely indicated to keep fresh this reservoir of capital for the industry.

Investment standards of life insurance companies naturally are high. Before they commit themselves to a 25 or 30-year stake in your operation, they will make a searching and exhaustive study of your business and your policies. You already know the statistical factors they consider important. You also learn early in any negotiation the protective features they hold dear. These are more in the way of routine relations. There are, however, other less tangible factors which affect their decisions. For instance, they will want to be satisfied with your management policies and your plans to insure their continuity. One of the best ways to sell your organization is to know personally the responsible officers of several large insurance companies. Then let them also get to know your second-string men, for it is they who will carry on when you pass out of the picture. Discuss freely your financial policies and philosophy and especially what plans you may have to finance future construction.

Another important consideration not argued well by statistics, is the territory you serve. Present its characteristics in detail, any important recent shifts in population or industries, and its prospects should we run into a depression. Prejudices and provincial thinking are not easily uncovered and certainly difficult to overcome. It is well not to leave too much involving personnel or territory to the imagination. Both factors warrant your fullest and most frank personal selling to a selected list of insurance companies. Fire and casualty companies are susceptible to the same type of cultivation. They have large utility holdings and some should be on your list for regular calls.

While not a newly come source of equity capital, investment trusts during recent years have become increasingly important as investors. They furnish a striking example of natural healing processes at work to overcome road blocks in the economic system. By paying attractive commissions, they have made it worthwhile for security dealers to seek out those with small savings but little experience in the direct purchase of securities. One of the big three in this field recently announced a plan to sell shares on the installment plan. Thus a tremendous pool of new savings is being substituted for that which tax and other governmental policies dried up in recent years. These trusts, both closed and open ended, are a fertile field for cultivation as a source of equity capital.

Let's take a look now at the role of the investment banker in the investor relations picture. He must know markets, that is, the current tastes of the various types of investors. You know the value of his advice on your financial problems, how he can negotiate a private deal for you, and finally his primary function as a merchant buying your securities for resale to his customers. Needless to say, he is a most important member of the financial community.

Federal regulations have made many changes in the investment banking business. It once was the practice to have one investment banker as advisor, negotiator and merchant. Now, if you have to resort to competitive bidding, you may not know which group will be successful. The cost of analyzing, pricing and bidding unsuccessfully on many bond issues, in order to land a few, has not paid out well from the slim margins competitive bidding allowed. Instead of the active, aggressive salesmen of venture capital that we knew in the past, investment bankers are on the way to become sharp-penciled diviners of what the insurance companies and their own competitors will do in any given situation. Forward-looking investment bankers are conscientiously trying to broaden their sales efforts to meet the needs of the electric industry for equity capital, but some will tell you frankly that the securities of other industries offer much better opportunities for profit.

Here is a necessary financial service which should not be allowed to languish. Through association contacts, individual dealings and in your cultivation of the investment banking fraternity, try to understand their problems as well as their value to you. Contribute whatever you can to maintain this important function as a virile healthy organ in the economic anatomy.

All who deal in securities within your territories should be particular objects of cultivation. They know which of your customers have money to invest and can sell them with much less obligation to you. If you have been recently divested, you may find that your local security dealers and brokers, with some encouragement, will become active in developing customer ownership. Unlisted stocks are especially favored for this purpose and you may find it advantageous to wait a reasonable period before listing on a major stock exchange to permit broader customer distribution.

I may not close this parade of agencies, which buy securities directly, without a word concerning the place of Commercial Banks and Trust Companies in your investor relations program. From the small-town depository in the far reaches of your service area to your big city bank, your banker provides many opportunities to make easier the path between you and your security holder. He is the confidant of many who have large and small amounts for investment. He, himself, purchases your securities either for the bank's portfolio or as administrator of trust accounts. He forms impressions from your local business conduct—the place you and your employees fill in the community, and the confidence you command from your customers. He also discusses you with his correspondents in larger financial centers and thus gives and gets clews as to your standing. He is under constant pressure from a multitude of responsibilities, and can pass fair judgment on you only if he knows your story. Take him into your confidence and be certain that his relations with you are on a mutually profitable basis. Maintain deposits in keeping with his importance in your situation and when possible, provide participations in any borrowings or corporate agency appointments you may make.

Your relations with commercial banks in large financial centers can also be personal and intimate. Here you will find a good place to start building an acquaintanceship in the larger financial communities. Especially, through banks which maintain well organized utility departments, can you find easy access to the particular people you will want to know. Cultivate a close-working personal and business relationship with one or more competent commercial banks in the larger financial centers. They and a few close friends in the investment banking field can become invaluable aids in your financial and investor relations programs.

Investment Advisory Agencies

Now for the group of agencies which act principally as advisors to the investor. The speediest and most effective system of communication in the financial community operates among security analysts. One finds them everywhere. Each investment house has its complement — advising partners and clients, computing bids, writing circulars for customer consumption, searching for market sleepers, etc. Banks use their talents in the control of their portfolios and investment counselors lean heavily on their art. The analyst's report is the basis for the ratings published by the agencies. While the analyst is a key figure, he is seldom conspicuous, and accordingly not too easy to identify as an important point of cultivation.

The analyst's stock in trade is information. He functions best when he has masses of figures covering many years' operations and interspersed with explanatory footnotes. Utility analysts work constantly with some two hundred and fifty companies, each competing with the other for their attention. The statistical information analysts need can be found in the manuals, registration statements, confidential insurance reports, annual and interim reports, and the multitude of other data required to be supplied by the electric industry. Nevertheless, analysts are inclined to favor those for which the information is most readily available and up-to-date, and where they know some company official personally.

Put the analyst high on your list for cultivation. In recent years, analysts have come to recognize their importance in the investment picture and take their responsibilities seriously. In the larger financial centers, they have organized clubs which meet frequently (in New York daily at lunch). These sessions are addressed by top-flight financial officers of nationally known companies, thus providing an opportunity to present information not easily set out in formal reports. In New York, one luncheon every other week is given over to a utility and is attended by utility analysts from the various financial houses. A company should appear about once each year even though no financing is in prospect. Some careful advanced planning for such appearances will pay good dividends. Consult your banker or analyst friends on techniques which have proved successful. Some have found it worthwhile to put on a dress rehearsal before someone qualified to make critical suggestions. The same comments apply to the more formal information meetings required prior to competitive bidding. These may be perfunctory and many are, but they can be made interesting and informative.

Get to know a few of the leading utility security analysts well. In return for a better understanding of your operation, they will keep you advised on the reactions of the financial community to your policies and program. One way to get to know a few is to ask your commercial or investment banker to arrange a luncheon where you can meet on more intimate terms than at the Analysts Society luncheons. A visit to your territory from one or more of your analyst friends always gets good response. Whether in small or large gatherings, the point is to get over to these analysts at every opportunity, and frequently, all the information and ideas you can muster. They will see that the news spreads quickly and the more friendly and better informed the group is, the better will be the flavor of your securities to the taste of the investor.

Recently we have seen a management severely criticized for financial policies dictated by outside considerations which, if more generally understood by the financial community, would have been recognized as sound over the long term. In another situation, a more complete breakdown of figures for a transit department might well have persuaded investors that a new security offering was worth more than it brought.

I may seem to have overstressed the place of the security analyst in the financing picture, but I am convinced that in this more or less obscure area lie fertile opportunities to improve the investor's appraisal of any given security. Of course, the field is not wide open for exploitation. There are legal limitations on important disclosures outside the more formal channels, which is to say that one's imagination may not confuse facts with fiction. Nor may one ignore the right of present and prospective stockholders to have all the essential information furnished the financial agencies. By working closely with the analysts, you learn the relative importance of various factors in the minds of those who buy your securities and thus are able to present your story more intelligently and effectively.

Standard equipment of those who pass judgment on your operations are the financial manuals. Moody's, Standard and Poor's, and Fitch's publications are everywhere in the financial communities. The goldfish bowl environment, in which the electric industry operates, assures much more complete and accurate statistics than for other less regimented industries. However, there still remain nuances in interpretation of the bare figures that personal contacts with these agencies can bring out. Especially is it desirable to visit such agencies, when a new issue is proposed, to be certain that every factor, whether favorable or unfavorable, is fully understood. After all, behind all these agency reports are human beings who respond to all the laws of human nature. Remember too that these agencies not only supply the information the financial community uses in its operations, and, through their ratings, a guide to the value of your securities, but they also publish advisory services which are used by all types of investors. Make the cultivation of these agencies a regular part of your investor relations program.

Corporate Agencies

One of the most impersonal contacts you have with security holders is through your corporate agencies. Until some difficulty develops, only the most sophisticated investors inquire who is the trustee of the mortgage behind the bonds he buys. Few pay any attention to which bank or trust company transfers his stock or pays his dividend. These are highly mechanized mass operations usually considered as necessary behind-the-scenes machinery. It is possible, however, to use this function to develop better understanding and good will. An hour's talk with someone in your corporate trust agencies should uncover several worthwhile ideas which, in one place or another, have put warmth and appeal in this purely mechanical procedure.

Before concluding, I am constrained to point out the critical role of regulatory bodies in this investor relations problem. The squeeze between fixed rates and rising costs has shaken the confidence of many who would buy utility equities. The need for adequate net earnings during this time of expansion is an important adjunct to a good investor relations program. The investor is not willing to wait for the economies which are expected from present construction expenditures. Many commissions already have faced the situation with courage and imagination by granting rate increases. Others may be expected to respond to a well-reasoned presentation of the broad problem. Your committee on Finance and Investor Relations will soon be able to supply helpful studies in that direction. Your friends in the financial community also can help immeasurably by expert testimony and advice.

The respect and good will of the financial community is a strong foundation on which to build sound relations with present and prospective security holders. Without such support, all your plans, whether based on appeals to individuals or masses, will have increased difficulties. The most enlightened stockholder meeting procedures—prize winning annual reports, sincere welcome letters to new stockholders and any other of the more glamorous techniques —will make slow progress if there is not behind them the substantial backing of an enlightened and sympathetic financial community.

Fixing Responsibility for Financial Operations

How should you approach such a program? The pattern is not too difficult to trace out but each situation must be tailored to fit. The essential elements, as in any relations problem, are definite, intelligible and enlightened policies governing your financial operations. Once these are established and understood, next follows the assignment to some responsible officer of the administration and coordination of various parts of the plan. This man should have more than a modicum of imagination and plenty of energy and initiative. He must be able to command the cooperation of those in his organization who will help work the plan. He must have the full support and frequently the active aid of the company's top officers. As a matter of fact, more often than not, he will be either the president, financial vice-president or treasurer. Except for the largest operations, his may not be a full-time job, **but it must be a full-time responsibility.**

An early step should be a careful study of present owners. Are they institutions or individuals, and in what patterns do they fall? For instance, it would be helpful to know the distribution by number of shares, sex, income brackets and geographical areas. Why did your present stockholders select your company for investment? Have there been any recent significant switches? Perhaps your stockholders came to you through a distribution by some holding company with a large following in New England because its original sponsors were highly regarded Boston bankers. If you are now independent and operate west of the Mississippi River, you may

find an immediate job cut out for you in and around Boston where local investments are preferred. Such a survey will also furnish a guide to where you might find new stockholders.

With this ownership survey should go a critical analysis of your own strengths and weaknesses with some planning along conventional public relations lines to present them effectively. Here your friends in the financial community can give you much help.

With a plan well in mind, the place to start is with financial agencies in the operating territory, but allowing no long delay in reaching the larger centers. Here you will seek first some familiar face either in a service company, an investment banking house or a commercial bank to put you in touch with those you need to see.

Or you may follow the lead of a half dozen utility and industrial companies which have already launched successful programs. Their complete satisfaction with results furnish all the proof you need that your efforts will pay off.

As you approach this relatively new field of cultivation, you should find confidence in the fact that financial agencies are as sincere as you are in their determination to preserve our private enterprise system. Their part of that job is to provide a free flow of savings from the investor to your companies. They know that difficulties are great for the electric power industry. They are committed as strongly as you are to the surgeon's task of reconstructing injured channels to permit the life blood of our economic system to flow freely again. You will find them willing partners and effective allies working to cement the loyalty of present security holders and attracting new ones to make certain that this essential service shall be maintained in the highest American tradition.

Agriculture and the Railroads

(Continued from page 7)

tions in which the country now finds itself.

Confronted With Painful Readjustment

We are now confronted with the serious and somewhat painful readjustment that was inevitable. Fortunately, the inflationary situation did not reach such proportions that the adjustment therefrom will necessarily create a serious depression. Through all the period, our credit structure has remained sound and solid, and while the readjustment will necessarily bring about some credit losses and bankruptcies, they will not be accentuated and multiplied through the liquidation of any large amount of unsound credits and the losses that result therefrom.

However, we now witness the struggle of the various segments of our economy that achieved a relatively favorable trading position with the rest of the economy during the period of rising prices to maintain that position and to avoid any adjustments that will reduce their relative status. Some elements in the economy which did not participate proportionately in the improved position of other segments are now desperately trying to secure the adustments necessary for their continued existence.

Among these are the railroads.

As most of you know, I have been interested in agriculture and identified with it throughout my adult life. Realizing the importance of transportation to agriculture, as well as the importance of agriculture to transportation, and in view of my present activities in the field of railroad transportation, it seemed to me appropriate that I should undertake to discuss with this group some of our common problems in the hope that it will contribute to a better understanding between agriculture and the railroad transportation industry. I am particularly happy to address this Annual Conference of Extension Workers because of the high appreciation I have always had of the great contribution that the Extension Service has made to the progress and development of agriculture in this state and throughout the nation. You are leaders in agricultural thinking and are in intimate touch with the thinking of farmers, their problems and their programs.

No segment of our economy has a more vital stake in transportation than agriculture. Most of what the farmers produce must be transported to the point of use or consumption and the cost of that transportation in its final analysis represents a reduction in the net price received by the farmers for their products. On the other hand, the larger part of the industrial products the farmer uses his fertilizers and supplies, must be transported from the point of origin to the farm and the transportation costs are added to the price he must pay. For these reasons he is vitally interested in the cost of such transportation and in the service he gets. Transportation costs are an important factor in the net profits of his farming operations.

The farmer has every right to expect that the transportation industry be operated efficiently and economically and that the price charged for the service performed be reasonable in terms of efficient and economic operation.

The railroad industry, as the principal agency of transportation for the farmer, is equally interested in agriculture and in the financial wellbeing of the farmer. I have long said that the prosperity of agriculture is the keystone to national prosperity and that without good buying power in the hands of the farmer, the wheels of industry and of commerce necessarily must slow down. This is particularly true in the case of the railroad industry for the reason that the products of agriculture and of livestock produce about one-fifth of the revenues received by the railroad from all carload traffic.

Relationship of Agriculture and Railroads

Historically, the development of agriculture and of railroads has gone hand in hand. Without means of transportation, the farmer's products would find no markets. Equally true, as the railroads became available in new areas, profitable farming operations became possible with resultant increased traffic to the railroads.

Railroad management from earliest years has recognized the importance of agriculture to their operations. More than 12 years before the Extension Service was set up, the principal railroad with which I am connected in this territory set up an agricultural department which was designed to serve the farmers, to help study their problems, to promote experimentation, better seed and better methods. In fact, it might be said that these railroad agricultural departments in the type of service they attempted to render, were forerunners of the vitally important Agricultural Extension Service that now so effectively serves agriculture. But even with the operation of this fine governmental service, the railroads continue to maintain agricultural, livestock and forestry departments, not for the purpose of doing any part of the work of the Extension Service, but to cooperate with that Service and to supplement it in various ways that are known to all of you. I am sure that everyone of you will agree that the service rendered by these departments in this area has been most helpful to the farmers, to the Extension Service and to all agencies interested in the advancement of agriculture. I would like to make an invitation to you. It is that if in any field of activity, in any area of development in agriculture, you think that the agricultural department of a railroad may perform any additional public service, you discuss the matter with me. It may not be possible to meet every suggestion, but I can assure you of the desire and willingness of railroad management to perform every constructive service possible in the interest of the improvement and development of agriculture.

In the present adjustment period in our economy, the railroads find themselves largely left behind in their relative position in our economy. The yardstick that railroads use to measure revenue is the revenue received per unit of freight service performed, which is called the revenue per ton mile. That is to say, the average amount received by a railroad for hauling one ton of freight one mile. In order to localize the facts to this area, I will use the figures of the railroads operating in the South. For the year 1939, the railroads in the South received an average of exactly 1 cent per ton mile for hauling freight. Throughout the entire war period and up to 1946, when all other prices and costs had increased an average of more than 50%, the railroads in the South were receiving exactly the same revenue of 1 cent per ton mile for transporting freight. It is also astonishing to know that in 1946 the railroads were receiving per ton mile 20% less than they received 25 years earlier in 1921.

Since 1946, the railroads have belatedly received several increases in freight rates, but the sum total of all the increases since 1946 has amounted to less than one-third of one cent per ton mile. The present application before the Interstate Commerce Commission for a further increase that averages about 6½%, if granted, will result in an average ton-mile revenue of 1.4 cents. With this new increase, the total raise since 1939 in revenue per ton mile will average approximately 40%.

During the same period, from 1939 to 1949, on a comparative unit basis, the expenses of all the class I railroads in the United States have increased 93%. Labor costs are up 86½%; fuel material and supplies are up 115.9%; and payroll taxes are up 88.6%. During the same period the comparable operating revenues of the railroads increased only 47.7%.

For example: coal which cost $1.90 per ton at the mines in June, 1939, cost $4.49 per ton in December, 1948. Diesel fuel which cost 4.17 cents per gallon in June, 1939, brought 10.06 cents per gallon in December, 1948. Cross-ties at 77 cents each in December, 1939, cost $2 a piece in December, 1948. Rail which brought $40 per ton in December, 1939, cost $73.50 in December, 1948. A complete track switch which cost $168 in December, 1939, cost $358 in December, 1948. Cast iron car wheels were $12 each in December, 1939, but cost $28.61 in December, 1948. These are a few examples of price increases of some of the principal items used by railroads, most of which increased over the 10-year period more than 100%.

Higher Labor Costs

The most important item of railroad costs is labor, which amounts to approximately 61% of total operating expenses. During the 1939-48 period, the average level of wages increased from an average of 74 cents per hour in 1939 to $1.38 an hour at the end of 1948, or 86½%.

In considering price rises on agricultural products, I realize that the year 1939 is not a fair base to use to compare industrial prices because in that year farmers received only about two-thirds of parity for their products. However, it is a fair base to use in comparison with railroad charges because in that year, 1939, the railroads earned only 2½% on their net property investment. This is less than half the rate of return that Congress decreed by statute law many years ago as a fair return for the railroads.

Against the 40% total increase in ton-mile revenue from 1939 that the railroads have received and requested, the prices received by farmers during the same period have increased 170% and the prices paid by farmers have increased 112%. I know of no group of commodities on which price advances since 1939 have been as low as the advance in railroad rates.

On the basis of comparative prices the cost of railroad transportation per pound or per ton mile on agricultural products is far less in 1949 than in 1939. It requires less than half the number of pounds of cotton to pay for a ton mile of railroad transportation at the present time than it did in 1939; about half the number of pounds of cottonseed; half the number of bushels of wheat; one-third the number of bushels of corn; about 60% of the number of bushels of oats; 45% of the number of bushels of sweet potatoes; and 46% of the number of pounds of hogs.

In other words, on a barter basis the farmer can, on the average, pay the rail transportation on the products he produces with less than one-half of the quantity required in 1939. These figures are based on market prices in January, 1949, and on the proposed increase in railroad freight rates that average 6½% above those then in effect.

It is a general misconception of the public that the railroads, because for the most part they are large corporations, have made and are making large profits on their operations.

Throughout the past 28 years, beginning in 1921, the net railway operating income of all class I railroads in the United States has averaged only 3.62% rate of return on the net value of the investment in railroad property and during the past three years the rate has been only 3.51%. For the year 1948, the rate was 4.38%. In only one year during the 28 year period has the rate of return been as high as 6%, and that was in 1942 before excess profits taxes were imposed.

Railroad Net Income Declining

During the past three years, the net income of all the class I railroads, after the payment of interest and all other expenses, has averaged approximately 20% less than the average net income for the ten-year period 1942-1930. In four years out of the ten years from 1931 to 1940, the railroads instead of making a net income showed a net loss for these four years of more than $285 million.

With increased wages and the 40-hour week for non-operating employees that becomes effective on Sept. 1, 1949, the estimated rate of return of net railway operating income on net property investment for the year 1949 is 3.12%, based on present rates, and if the increased rates that are under current consideration by the ICC are allowed, effective July 1 this year, the rate of return is estimated to be 3.79%. However, on the basis of the increased wages and 40-hour week for the full year and income on present basis, the rate of return would be only 2.31%; with the increase sought, the rate of return would be 3.72%.

In 1920 Congress set as a fair rate of return for railroads the modest figure of 5¾%. Surely, no one would argue that a return of 3.72% is adequate, even though this is all that the railroads may reasonably expect under the proposed new rates.

Much has been said about the need for increasing the efficiency of railroad transportation. Through the years railroad management has been bending every effort in that direction. The larger part of the vast expenditure of more than $5 billion during the past eight years has been for the purpose of modernizing road and equipment, improving train performance, and providing better service. During the past ten years, the railroads in the South have increased freight train loads by more than 50% and their gross ton miles per freight train hour by more than 25%. In the face of doubled unit costs in the principal elements in the production of transportation since 1939, the railroads were able to turn out one ton mile of freight service in 1948 at only 37% increase over the cost in 1939. However, with increased wages and the 40-hour week in 1949, this cost will necessarily increase.

One of the most serious problems confronting the railroad industry today is to secure capital funds to finance capital improvements, such as modern diesel motive power, new cars—freight and passenger — track improvements, modern signals, etc. It is easy to see why the public is loath to buy new issues of common stock in railroads when it is realized that 43% of railroad stock pays no dividends at all and that for the past 18 years the average rate of all dividends paid on the capital stock of all of the class I railroads has been less than 2¼% per year. The current rate is approximately 3%. This is not a sufficiently high rate to attract investment money into railroad common stocks.

Of course, the railroads have pursued a conservative dividend policy and properly so. During the past eight years, they have paid out in dividends less than 40% of their net earnings. Not only have they used the equivalent of the remaining 60% to put back into the modernization of railroad property, but have used an additional $2,349 000,000, representing largely borrowed funds. In fact, the gross investment made by the railroads in improving and modernizing railroad properties during the past eight years amounts to one-half billion dollars more than the total of all of the net earnings of the railroads during that period. This is surely a striking evidence of the faith of railroad management in the future of railroad transportation.

Capital Improvements

In the year 1948 alone, the class I railroads invested in capital improvements the all time high amount of $1,273,500,000, which was $573,500,000 more than the net income during the year and was paid for in large part by borrowing.

In practically every case in recent years in which the railroads have appealed to the Interstate Commerce Commission for the increased rates necessary to maintain the solvency of the railroads and to permit them to earn a rate of return that is necessary to attract the loans and capital necessary for modernization and improvement, the farmers through their organizations have strenuously opposed such increases. It is, of course, human nature for a person to be against any increase in his cost of doing business and to be in favor of a higher price for his products. The railroad industry is not only familiar with the serious problems of profitable

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Hot weather blankets market. Interest at low ebb as minor rally comes and goes.

There was a rally last week. It was a small rally where the familiar averages went up from a low of 163 and a fraction, to 167 and a fraction, within four days. It was the kind of a rally I thought would be seen, but, by the same token, one we couldn't do much about. It would come and go before you could read this and do something about it.

* * *

According to a technical analysis, such a rally is described as a minor uptrend in a major downtrend. Theoretically, a series of minor uptrends sufficiently sustained, can result in a reversal of the major trend. Translating this into the vernacular: If prices keep going up we'll be in a bull market.

* * *

There are a couple of other things that'll have to happen before any bull market is seen. According to the familiar Dow theory, no bull market can be called that until declines in both averages (rails and industrials) stop short of breaking their previous lows and go up and penetrate their old highs. To really mean business the subsequent rallies would have to take back one third of their declines.

* * *

If all this sounds like double talk it's because it's hot and muggy in New York. Even the board room traders who have mental commitments on every stock on the board, are talking about the weather and not the market.

* * *

In day to day parlance, away from the slide rules and other paraphernalia of the technical analyst it means that stocks must hold above their recent lows. If they rally, all well and good, but on any subsequent breaks, stocks cannot go down more than one-third of their previous rally. If then they go up and go through an old high the assumption is that "God's in His heaven and all's well with the world."

* * *

Practical application of this theory is something else. If you wait for a break, then a rally, then another break followed by another rally which will go through old highs, the chances are you'll buy them so close to a top you'll roar with frustration.

* * *

It is at this juncture that market "savvy" is called for. You have to decide for yourself — at a low, not a high point—where the market will go, and then act. That sort of a "savvy" can't be taught. It has to be acquired. Successful traders have it. Others either follow the news or the mob. Both classes, in the wide majority, seldom make good traders.

* * *

Right now, market shows me little. So I suggest you rest. It's too hot to do anything anyway. J. A. S., Baltimore: You take the above and then apply it to individual stocks. It's not easy. It most certainly is not an avocation. It requires one's full time.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Business Man's Bookshelf

Abbreviation, Name, Par, Unit, Post and Odd Lot Differentials—Stocks and Bonds — New York Curb Exchange, New York City.

Financial Analysis of Thirty Oil Companies for 1948—Joseph E. Pogue and Frederick G. Coqueron — Petroleum Department, The Chase National Bank of the City of New York, New York 15, N. Y. —Paper.

Turkey—An Economic Appraisal—Max Weston Thornburg, Graham Spry and George Soule — Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—Cloth—$3.50.

Paul Joins Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—G. Gibson Paul has become associated with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges. He was formerly with Brush, Slocumb & Co. George M. Blair is also now connected with the firm.

Blyth & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Richard F. de Graca has been added to the staff of Blyth & Co., Inc., Russ Building.

Agriculture and the Railroads

(Continued from page 29)

agricultural operations that now confront the farmers or are just around the corner, but are fully sympathetic with the objective of maintaining agriculture on a profitable basis. However, railroads are now fighting for their very existence. Railroad transportation that was once a monopoly is now one of the most highly competitive operations in business. Busses and private automobiles have largely taken over the short haul passenger traffic, airplanes compete for the long haul passenger traffic and millions of trucks are competing for and are securing a substantial part of both long haul and short haul freight traffic. All of these modes of transportation have their proper place and use in the service of the American people.

However, the railroads are the backbone of the entire transportation system and while certain specialized services may be performed by other means of transportation, none can do the complete job that is performed by the railroads with such dependability, such efficiency and such economy. While other forms of transportation may select such traffic as they choose to carry and may operate without regularity, the railroads constitute the only form of transportation that carries anything and everything to almost any point in the entire country and does so with regularity around the clock seven days a week. We have developed in this country the most comprehensive, efficient and dependable railroad plant in the world, a plant that provides the safest service at the greatest speed and the lowest cost which can be found anywhere in the world.

In several respects, railroads occupy a position of considerable disadvantage with other forms of transportation. Airlines are substantially subsidized out of the public treasury and most airports are built with taxpayers' money; our highways are constructed with public funds and the damage to these highways through the operation of heavy trucks is paid for by the taxpayer. Waterways are maintained and operated largely by the government itself and in competition with other forms of taxpaying transportation.

Railroad Taxes Subsidize Competitors

The ironical fact is that the railroads pay taxes which are used in part to subsidize their competitors. To give you an accurate picture on railroad taxes, I have secured the actual figures of taxes paid by the Atlantic Coast Line Railroad Co. for the year 1948. They were:

To the Federal Government for payment of taxes on the company's income	$2,575,777.72
To the Federal Government in payment of the 6¼% contribution to the fund to pay pensions and compensation to retired, unemployed, sick and disabled railroaders	4,072,942.26
To the public schools for education of our children	1,530,135.88
To the counties served by lines of Coast Line	1,122,927.99
To maintain roads and highways over which our competitors operate their vehicles	275,008.67
To cities and municipalities served by lines of Coast Line	544,510.97
To states served by lines of Coast Line	323,723.57
To cities and states for income taxes, franchises, special taxes, etc.	710,513.95
Grand total	$11,155,541.01

The total amount paid as taxes by this railroad company in 1948 was 46% more in amount than the net income of the railroad after taxes and the net income after taxes was only 3% on the invested capital of the stockholders.

Furthermore, the wages paid by railroads and the hours and conditions of employment of employees are to a large extent beyond the control of railroad management. The principal determinations are made through agencies created by government. On the other hand, the income of railroads it almost entirely determined by state and Federal governmental agencies. Their operations are circumscribed by state and Federal laws. The railroad industry, more than any other business I know, is in an almost complete strait-jacket of governmental control and direction.

If, in the course of time, the railroads should fail to earn a sufficient income to maintain their solvency and to attract necessary capital, the country will be confronted with the specter of government ownership of the railroads with the losses paid out of the pockets of the taxpayers to keep the trans running. The public should realize that in such an eventuality, socialization would sweep our entire economy and this nation would then take that intermediate step of receivership, which we call state socialism and which is part of the way down the road toward the ultimate step of human bankruptcy, which we know as communism.

I have always had a profound confidence in the sense of fair play of the American people to do the right thing when they are fully informed. I have a tremendous respect for the farmers and their innate desire to be fair in all things. I am, therefore, willing to stake the case of the railroads for fair and reasonable treatment and for the opportunity to continue to perform an essential transportation service to the agriculture of this nation on the verdict of the farms of this state and nation when they know and understand all of the facts.

The Federal Reserve System Emasculated

(Continued from page 2)

should be reduced when the economic goose hangs high, and increased in depressions. So far, about all we have succeeded in doing since this theory gained official sanction has been to increase the budget in both booms and depressions. Budgets are instruments of politics, and to make them also economic tools is asking much of human nature.

There are, we should admit certain special areas in which government has set up a mechanism for anti-cyclical action. The most notable is unemployment insurance. Under this plan, the worker and employer make larger payments to the government in times of prosperity, and the government increases its out-payments in depressions. Spending for public works is often cited as an area for a possible anti-cyclical program. So far, political pressures and the timing of extended projects have baffled the planners.

One may summarize by saying that while the budget should be an influence for economic stability, and we should do all we can to push it in that direction, we must not be too sanguine of our success. We cannot rely on that instrument alone for economic stability. The best practice will be to fortify insistently the old tradition that budgets are to be balanced. Circumstances themselves will unbalance them often enough despite all that can be done. That is happening today under our eyes.

The third of the traditional methods of affecting business fluctuations is the regulation of money through changes in the supply and cost of money. History records many instances of the successful use of this instrument. For years, the Bank of England, by changes in its discount rate, or its purchase or sale of bank acceptances or Treasury obligations, influenced the flow of funds in and out of the London market. More important still, they influenced the activity of the investment market. The Federal Reserve System now has a long history of attempts at credit control—some more, some less successful.

There are great advantages in trying to influence economic fluctuations through the money supply. In the first place, it can be done. The central banking system has the power to change the price of money and to influence the volume of money. It is true, as many say, that for the businessman about to launch an undertaking, it does not make much difference whether he pays 3% or 4% when he borrows at the bank. But when a business is thinking of selling 30-year bonds, it may make a critical difference whether it pays 3% or 4%. Also, the buyers of bonds or of equities are greatly influenced by their view as to whether they think money rates are rising or falling —a matter which is within the control of the central banking system. When rates are rising, it is harder to get money. Businessmen and bankers watch the indicators of changes in Federal Reserve policy as one of the factors in deciding whether to go forward with or postpone new undertakings. The powers of the Reserve System are still substantial.

The second advantage of using monetary action as a method of influencing business is that this method is consistent with democracy. You don't have to tell the individual borrower or lender what to do, but you create the conditions under which he makes his own decision. If we must have some form of government control, the best form in all our experience is control through money because that involves the least interference with the freedom of the individual to make his own choices in his economic life.

Admittedly, the huge national debt and responsibility for the government security market have limited the freedom of credit policy since the war. Even under this handicap, increases in discount rate and open market operations have had considerable influence. Just how much no one can measure; but to the observer in the money market, it appeared very substantial.

Any skeptic as to the power of money in any economy does well to examine the dramatic illustrations of the results of recent basic changes in money values and credit policies in Belgium, Germany, and Italy. These were extreme cases, but they revealed vividly the improvement that can follow large doses of good old-fashioned monetary medicine.

To avoid any misunderstanding,

it should once more be emphasized that in this country today the Reserve System is only one of many influences on business fluctuations. The final result reflects many causes: the wisdom or unwisdom of businessmen in accumulating inventories, in starting new ventures, in keeping production costs and selling prices down; the soundness of labor union policies; the international situation; the thousands of ways government stimulates or retards activity; the spending or saving habits of the individuals, etc. The Reserve System is no substitute for sound policies in all these areas, nor can it wholly offset unsound policies. In the long run, the economic trend reflects the stresses and the strains from all these fields.

The point to note is that the control of money is a very powerful influence, and is one of the few that can be consciously directed to economic stability. The Reserve System is our agency for that purpose. In the interest of sound banking and a sound national economy, the Reserve System must be preserved and defended; and bankers, who know it best, have that peculiar duty.

Three Questions of Federal Reserve Organization

Next to these broad general conclusions as to the System's function and responsibility, there arise, as a result of recent discussions, three critical questions about the organization and operation of the Reserve System.

(1) *Relation of the System to the President and the Treasury*—In the whole history of central banking, the most serious difficulty has been the relationship between the central banking system and the political government. The government is elected by the people and reflects, sometimes dimly, it is true, the will of the people. But wherever a central bank has been established, some mechanism has been designed to give the central bank a measure of independence from the will of the executive. There are several reasons for this. One is that the problem of money is highly technical. No nation's chief executive is wise enough to make detailed decisions in this field in addition to his other duties.

The second consideration is that the central banking system to be effective must do unpopular things. As suggested earlier, the lessening of business fluctuations depends more largely on avoiding overspending and the excesses of a long-continued boom than it does on action when the corner is turned and the indexes start down. No amount of easy money in 1932 and 1933 persuaded people to spend. The fact that they had overspent in '28 and '29, together with their fears, made them cautious.

But to make money more expensive and put other restraints on prosperity is unpopular. A wise executive in any country does well to detach himself from those unpopular decisions and let somebody else take the responsibility.

Still a third reason is that the immediate interest of the Treasury is often directly opposite from the wise course of central banking policy. The Treasury is the country's biggest borrower. It needs cheap money, even when the dose of medicine that the country may require is firm money. These are all good reasons why the Federal Reserve System should not be a bureau of the Treasury Department or subordinate to it. The central banking system should be almost as detached from the political administration as the Supreme Court. We say "almost" because, of course, the central banking system, in working for the public interest, must inevitably consider the needs of the Treasury as a major factor in its decisions; and central bank policy is always a part of a country's broad economic program. But if it does its job well, it will always see beyond the Treasury interest the need for economic stability for the whole country. The wise chief executive of a nation will respect the freedom of the central banking system, just as the wise central banker cannot neglect the political environment. In time of war, the Reserve System becomes an agency for financing the Treasury. With peace, it is slowly recovering independence. We must not allow that wartime relationship to be permanent.

(2) *The Balance of Power Within the Federal Reserve System*—In the years of discussion preceding the passage of the Federal Reserve Act, a controversy raged as to whether the new central banking system should take the form of a single central bank with branches, or a regional system. Under the leadership of President Wilson and Carter Glass, the regional system was adopted. One reason was the natural fear always entertained in this country of financial domination by some central group. There would be always danger that such a central group would come under the control of some narrow economic or political interest, or would not be wise enough to visualize the needs of so large and diverse a country.

A second advantage of the regional system is that the effectiveness of any action which the System may take depends on the cooperation of bankers and businessmen all over the country, and men always cooperate better in decisions in which they have some share. In the field of money, the same political principle was followed which gave us in this country a Federal, republican form of government, rather than too great concentration of power at any single point. Admittedly, our government is not as efficient in certain respects as a government which concentrates power at the top; but in the long-run the American people believe the results are better.

During the past 15 years, in the Federal Reserve System, there has been a tendency to move away from the regional principles of President Wilson and Carter Glass toward a concentration of power in a Board in Washington. The Banking Acts of 1933 and 1935 further increased the power of the Board, at the expense of the Federal Reserve Banks, by giving the Board a majority in the Federal Open Market Committee, which makes the decisions on open market operations; by lodging in the Board powers to change the reserve requirements of banks, to change the margins on security loans, and to control foreign operations; and otherwise increasing the Board's powers.

There still remain, however, substantial powers in the Reserve Banks, including the power to fix discount rates (subject to review and determination by the Federal Reserve Board), the power to pass on loans and discounts of all sorts, some power of bank supervision, and the power through the bank presidents to vote in the Open Market Committee. As the Reserve Banks are the operating bodies of the System in direct contact with the markets and men, their recommendations have always carried weight with the Board and with the Treasury.

Further suggestions to concentrate more and more power in Washington appear in the Hoover Task Force report, and also in legislative suggestions by the Reserve Board. This tendency has two grave dangers. The first of these is that the Federal Reserve Board may become so detached from grass roots opinion that it will make the wrong decisions. It is a hazardous business in a country as large as this for such a Board to make important decisions affecting the lives of 135 million people in the detached, statistical, and political atmosphere of Washington. The Federal Reserve System has huge powers. The founders of the System were wise in the extent to which they decentralized the making of decisions, so that any decision when finally made would represent the composite judgment of several groups of peole and not the arbitrary action of a few.

The Federal Reserve Banks as fully as the Reserve Board are manned by career men devoted to public service. Their directorates are composed of public-spirited and able citizens in touch with their communities. Their participation in policy decisions of the System will help to insure that these decisions are reasonable, and will be so accepted by the citizens of the different communities. In the long-run, monetary policy is not a matter of mechanics but a matter of human psychology; and the Federal Reserve System can best accomplish its purposes if it exercises leadership which is followed by an understanding and willing community. From this point of view, it is not more powers that are needed but closer understanding and cooperation between bankers and the Reserve System. Responsibility for this result rests on both groups.

(3) *The Trend Toward Controls*—For some years past, the Reserve Board has been given from time to time added powers in detailed sectors of the field of credit, in addition to the general powers which it already exercises over the volume and the cost of money. An example is to be found in the legislation giving the Federal Reserve Board power to fix margin requirements on security loans. In the 1928-29 boom, excessive loans on securities were a major cause of the overexpansion and proved impervious to control through raising money rates. There was sound reason for giving the Reserve System this additional power to fix margins, so that excessive amounts of credit would not be created through security loans. Similarly, there was some justification in war or serious inflation for giving power to some one to regulate the terms under which instalment credit is advanced, though in this case, the results were of doubtful value.

Both of these powers involve a type of credit in which the volume is large and in which it is possible to apply general rules. In both cases, however, there is danger in the exercise of such powers. For example, the 75% margin requirement in force until recently has been a factor in the present depression in the market for equity capital.

One school of monetary economists would project the Reserve Board still further into what may be called "qualitative" credit controls by giving the power to make detailed rules to govern the making of real estate loans and other specific forms of loans. This is quite different from fixing margins on security loans or down-payments and maturities on instalment loans. Any set of rules for the infinite variety of loans would be so cumbersome and complicated as to entail vast amounts of extra red tape, confusion, and interference with the normal conduct of business. Any rules strict enough to restrain unwise lending would check and hamper many cases of wise lending.

All of these suggestions have in common more than a suggestion of the totalitarian principle that some one in a government bureau can make wiser decisions than management on the job. The danger is that such controls will prove as ineffective and also as destructive of aggressive enterprise as totalitarian controls in Europe today. The controls, moreover, take time and endless decisions and controversies, which divert the System from its true function.

The recent request of the Reserve Board for more power over bank reserve requirements also enters into detailed management of the banking business. Large, unexpected, and incalculable changes in the amount of money banks have to employ create difficulties for the people who run banks; and they may have unexpected repercussions. As bank earnings are impaired, for example, bankers are tempted to make excessive loans in borderline cases.

The present detailed control by the Reserve System of prices and trading in the government security market, justified in wartime, has no permanent place in a peacetime economy.

The general conclusion is that no matter how necessary certain added controls may appear to be to meet particular situations, there is danger in this area that needs to be safeguarded. One way of safeguarding it would be to put all these powers in the Open Market Committee rather than the Board of Governors, so that grass roots opinion is brought to bear on the decisions. In any event, added powers should be granted only with great caution, and the present powers and practices should be closely scrutinized.

Conclusion

After nearly 35 years of operation, the Federal Reserve System is threatened with danger. It is threatened by the kind of thinking that created totalitarianism in Germany and Russia and socialism in England, by the reasoning that efficiency calls for concentrating power in bureaus in Washington. This is a danger not for banking alone but for the whole country. It was the principle of Karl Marx that if a group of men could get control of the credit resources of the country, they could control the whole country. The seemingly logical move to solve our money problems by greater concentration of power over credit in Washington and in political hands is subversive of the principles of our democracy. If the bankers of the country do not defend the System from this danger, no one else can or will.

It would be easy to leave this statement as a negative plea, opposing all controls. The positive side of it is a reaffirmation of the need for vigorous monetary management as the most powerful and best instrument government possesses for moderating business fluctuations. Its effective use depends on the time-honored powers to influence the cost and volume of credit rather than on detailed control. The use of these powers in turn depends on a revitalized Federal Reserve System with growing independence of Treasury policies as the war recedes into the past. The effectiveness of credit policies also will be greatly enhanced as they become cooperative national policies rather than surprise moves imposed by a Washington agency. In bringing this about, bankers have themselves an equal responsibility with the Reserve System.

Chicago Exchange Member

CHICAGO, ILL.—The Board of Governors of The Chicago Stock Exchange has elected to membership Clarence A. Horn, First of Michigan Corporation, Detroit, Michigan.

McGuiness in Oneonta

ONEONTA, N. Y.—Raymond L. McGuiness is engaging in a securities business from offices at 401 Main Street. Mr. McGuiness was formerly with Kalb, Voorhis & Co. and Orvis Bros. & Co.

Banker's Role in Adjusted Economy

(Continued from page 5)

chasing power available today is at near record levels.

People in this country are now earning money at the rate of nearly $214 billion a year. This is close to the all-time peak rate of last December. In addition, individuals have near-record holdings of liquid savings in the form of checking accounts, savings accounts, government securities, and currency. These assets total $200 billion and are a reservoir of purchasing power which has been accumulated in recent years. These savings are 3½ times as large as they were in 1939. Corporations, too, are currently in an exceptionally favorable financial position with working capital at a near-record level of $65 billion.

This nation was built on confidence in the future. Our progress, from the days of Plymouth and Jamestown, has stemmed from our ability to make use of our great resources to better the lot of the individual citizens of this country.

When we look at the present economic picture in perspective, including full consideration of the current readjustments, the opportunities already at hand begin to take on their true proportions. We have vastly greater resources, immensely advanced technical knowledge, a rapidly increasing population, and compelling incentives to further progress far beyond the conception of a generation or two ago. Surely, never before in our history have science and industry united to combine such a wealth of new discoveries and new processes at our doors.

New Heights of Achievement

I believe that if we grasp our opportunities with vigor and enthusiasm, we can continue to move forward to new heights of achievement in the years ahead. There is no reason why we should not. America certainly is not losing the vision and the determination that built this nation to its greatness. Certainly we are not losing the genius and the faith which created a mighty industrial society and gave us our present high standard of living. Surely, we will continue to demand that advances in knowledge and skills be harnessed to meet our wants and increase our well-being. Nothing can retard us except lack of confidence and a slackening of our traditional spirit of progress.

To benefit by our tremendous opportunities, it is essential that we maintain our confidence in the future. We must not hesitate or falter. We must not be afraid of change or of facing up to new problems. Many of these problems are opportunity in disguise. They are but stepping-stones to greater national achievements.

Meehan Wins Golf Tourney of NYSE

William Meehan of M. J. Meehan & Co., New York City, won the annual New York Stock Exchange golf tournament at the Winged Foot Golf Club, Mamaroneck, New York, with a score of 71, and also won low net with 67. Thomas F. Scholl, Thomas F. Scholl & Co., was second with a score of 77 and low net of 70. Joseph Meehan, M. J. Meehan & Co., placed third.

With Central Investment

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Murray T. Crummer, Jr., is with Central Investment Co. of Texas, Insurance Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 3	79.9	84.4	91.8	95.2
Equivalent to—					
Steel ingots and castings (net tons)	July 3	1,473,000	1,555,900	1,692,300	1,716,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 18	4,867,650	4,875,650	4,903,000	5,492,350
Crude runs to stills—daily average (bbls.)	June 18	¶5,171,000	5,153,000	5,307,000	§5,566,000
Gasoline output (bbls.)	June 18	17,998,000	17,641,000	18,230,000	§17,648,000
Kerosene output (bbls.)	June 18	1,530,000	1,617,000	1,776,000	§2,149,000
Gas oil and distillate fuel oil output (bbls.	June 18	5,228,000	5,711,000	6,177,000	§6,758,000
Residual fuel oil output (bbls.)	June 18	7,693,000	8,305,000	8,354,000	§8,963,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines —					
Finished and unfinished gasoline (bbls.) at	June 18	116,403,000	117,484,000	120,797,000	§104,603,000
Kerosene (bbls.) at	June 18	22,504,000	22,006,000	20,664,000	§17,575,000
Gas oil and distillate fuel oil (bbls.) at	June 18	61,445,000	60,402,000	54,351,000	§43,783,000
Residual fuel oil (bbls.) at	June 18	65,594,000	65,901,000	63,474,000	§58,726,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 18	649,351	808,156	773,911	906,631
Revenue freight received from connections (number of cars)	June 18	577,968	609,435	609,454	713,426
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 23	$215,170,000	$150,842,000	$193,679,000	$160,248,000
Private construction	June 23	84,840,000	71,415,000	95,840,000	96,319,000
Public construction	June 23	130,330,000	79,427,000	97,839,000	63,929,000
State and municipal	June 23	83,963,000	62,029,000	72,728,000	48,395,000
Federal	June 23	46,367,000	17,398,000	25,111,000	15,534,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 18	2,100,000	12,960,000	11,135,000	13,371,000
Pennsylvania anthracite (tons)	June 18	121,000	1,326,000	1,050,000	1,180,000
Beehive coke (tons)	June 18	21,400	*102,000	133,300	140,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 18	285	*288	280	310
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 25	5,466,169	5,372,600	5,270,161	5,256,698
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	June 23	196	196	206	111
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 21	‡3.705c	‡3.705c	3.705c	3.211c
Pig iron (per gross ton)	June 21	$45.91	$45.91	$45.91	$40.51
Scrap steel (per gross ton)	June 21	$20.25	$20.92	$22.08	$40.66
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 22	15.700c	16.200c	17.700c	21.200c
Export refinery at	June 22	15.925c	16.425c	17.925c	21.675c
Straits tin (New York) at	June 22	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	June 22	12.000c	12.000c	14.000c	17.500c
Lead (St. Louis) at	June 22	11.850c	11.850c	13.850c	17.300c
Zinc (East St. Louis) at	June 22	9.000c	9.000c	12.000c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 28	101.75	101.66	101.64	100.80
Average corporate	June 28	112.93	113.12	113.31	124.20
Aaa	June 28	118.80	118.80	118.80	117.60
Aa	June 28	117.20	117.40	117.40	115.63
A	June 28	112.19	112.37	112.56	112.37
Baa	June 28	104.48	104.48	105.00	106.74
Railroad Group	June 28	107.44	107.80	108.34	108.88
Public Utilities Group	June 28	114.46	114.46	114.27	113.70
Industrials Group	June 28	117.40	117.40	117.40	116.61
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 28	2.37	2.38	2.38	2.45
Average corporate	June 28	3.01	3.00	2.99	3.01
Aaa	June 28	2.71	2.71	2.71	2.77
Aa	June 28	2.79	2.78	2.78	2.87
A	June 28	3.05	3.04	3.03	3.04
Baa	June 28	3.48	3.48	3.45	3.35
Railroad Group	June 28	3.31	3.29	3.26	3.23
Public Utilities Group	June 28	2.93	2.93	2.94	2.97
Industrials Group	June 28	2.78	2.78	2.78	2.82
MOODY'S COMMODITY INDEX	June 28	332.8	340.4	344.3	436.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	June 25	214.0	214.2	219.2	242.9
Fats and oils	June 25	136.9	137.2	142.9	287.8
Farm products	June 25	230.3	228.8	234.8	278.4
Cotton	June 25	311.9	313.2	309.2	348.3
Grains	June 25	194.1	196.7	203.6	266.5
Livestock	June 25	229.0	225.1	233.3	277.8
Fuels	June 25	214.1	213.1	218.5	231.4
Miscellaneous commodities	June 25	162.1	160.9	163.7	176.6
Textiles	June 25	184.7	185.6	186.1	214.6
Metals	June 25	166.1	167.2	171.1	165.9
Building materials	June 25	212.7	211.0	212.5	228.5
Chemicals and drugs	June 25	137.5	137.5	137.6	158.8
Fertilizer materials	June 25	141.2	141.1	142.8	134.6
Fertilizers	June 25	150.5	150.5	150.5	143.8
Farm machinery	June 25	155.8	155.8	155.8	139.4
All groups combined	June 25	201.3	200.4	205.0	227.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 18	150.021	153,108	140,189	173,264
Production (tons)	June 18	167,196	165,729	161,307	182,205
Percentage of activity	June 18	78	79	77	97
Unfilled orders (tons) at	June 18	254,033	272,243	248,992	369,348
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	June 24	128.1	128.3	130.2	146.9
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 21	153.2	154.8	156.5	167.0
Farm products	June 21	167.0	170.7	174.5	200.3
Foods	June 21	159.9	163.8	165.6	181.8
All commodities other than farm and foods	June 21	145.0	145.2	146.2	149.4
Textile products	June 21	135.1	135.3	136.1	149.3
Fuel and lighting materials	June 21	131.0	131.0	130.6	133.1
Metals and metal products	June 21	165.6	166.1	167.5	157.9
Building materials	June 21	190.9	191.9	193.4	197.0
All other	June 21	127.4	127.5	129.3	136.1
Special indexes—					
Grains	June 21	156.4	157.2	164.1	212.0
Livestock	June 21	206.7	213.1	210.9	263.9
Meats	June 21	220.9	231.5	231.3	266.6
Hides and skins	June 21	186.5	189.6	190.0	218.8

*Revised figure. ¶Includes 415,000 barrels of foreign crude runs. §Not comparable with other periods which are on new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. The composite under the old method this week would have been 3.73330c per pound.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC. — Month of May:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	77,537	*75,921	73,885
Shipments (tons of 2,000 lbs.)	51,938	*53,143	72,848
Stocks at end of period (tons)	76,581	*50,982	44,253
Unfilled orders at end of period (tons)	58,644	65,713	71,018
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of April (000's omitted):			
All building construction	$628,132	*$586,940	$716,048
New residential	349,787	*314,456	419,544
New nonresidential	195,437	*192,648	196,825
Additions, alterations, etc.	82,908	*79,836	99,679
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of May (in millions):			
Total new construction	$1,568	*$1,369	$1,572
Private construction	1,111	*984	1,222
Residential building (nonfarm)	530	*440	625
Nonresidential building (nonfarm)	258	*251	275
Industrial	82	*89	111
Commercial	84	*76	96
Warehouses, office and loft buildings	23	23	24
Stores, restaurants and garages	61	53	72
Other nonresidential buildings	92	*86	68
Religious	26	24	16
Educational	19	19	16
Social and recreational	20	19	15
Hospital and Institutional	14	12	10
Remaining types	13	*12	11
Farm construction	40	30	50
Public utilities	283	*263	272
Railroad	32	27	34
Telephone and telegraph	60	*60	62
Other public utilities	191	176	176
Public construction	457	*385	350
Residential building	15	*14	7
Nonresidential building (other than military or naval facilities)	148	153	79
Educational	72	*68	42
Hospital and institutional	39	*36	15
All other nonresidential	37	*31	22
Military and naval facilities	8	*8	12
Highways	150	100	140
Sewer and water	48	46	40
Miscellaneous public service enterprises	10	*9	11
Conservation and development	61	*57	47
All other public	17	*16	14
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of May:			
Manufacturing number	202	*229	135
Wholesale number	101	98	72
Retail number	351	406	158
Construction number	63	68	31
Commercial service number	59	76	30
Total number	776	*877	426
Manufacturing liabilities	$11,182,000	*$14,523,000	$7,030,000
Wholesale liabilities	4,334,000	3,975,000	2,459,000
Retail liabilities	6,034,000	6,139,000	2,679,000
Construction liabilities	1,434,000	1,519,000	588,000
Commercial service liabilities	5,390,000	5,774,000	1,058,000
Total liabilities	$28,374,000	*$31,930,000	$13,814,000
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of April:			
Shipments (short tons)	104,305	120,035	114,314
Unfilled orders at end of month (short tons)	464,782	504,142	628,123
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of April:			
Shipments (short tons)	929,307	1,074,704	1,051,083
For sale (short tons)	467,433	567,041	584,969
For producers' own use (short tons)	461,874	507,663	466,114
Unfilled orders for sale at end of month (short tons)	1,445,532	1,639,465	2,690,893
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.)—Month of May:			
Total number of vehicles	481,467	543,118	338,538
Number of passenger cars	394,703	436,392	225,461
Number of motor trucks	86,200	106,212	111,789
Number of motor coaches	564	514	1,288
NEW YORK STOCK EXCHANGE—As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$659,748	$625,904	$614,720
Credit extended to customers	67,012	68,343	68,600
Cash on hand and in banks in U. S.	283,274	297,823	360,368
Total of customers' free credit balances	534,758	542,239	618,868
Market value of listed shares	64,146,599	66,237,520	74,703,907
Market value of listed bonds	132,028,548	132,097,816	135,369,744
Stock price index, 12-31-24=100	67.9%	70.5%	82.8%
Member borrowings on U. S. Govt. issues	$164,115	$178,367	$153,653
Member borrowings on other collateral	330,809	301,513	232,154
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of April (000's omitted):			
Savings and Loan associations	$283,535	$263,891	$313,076
Insurance companies	77,309	76,630	81,564
Banks and Trust companies	189,750	192,789	232,184
Mutual Savings banks	52,976	51,482	53,798
Individuals	166,925	168,280	181,201
Miscellaneous lending institutions	137,521	127,961	131,855
Total	$908,016	$881,033	$993,678
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of April:			
Production (M sq. ft. ⅜-in. equivalent)	152,738	*176,061	164,862
Shipments and consumption (M sq. eeft, ⅜-in. equivalent)	158,858	*179,021	162,975
Stocks (M sq. ft. ⅜-in. equivalent) at end of month	76,075	*81,526	40,435
Consumption of logs (M ft. log scale)	75,245	*83,256	70,241
Stocks (M ft., log scale) at end of month	207,207	*217,711	139,544
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of April:			
Shipments (short tons)	119,953	138,889	150,305
For sale (short tons)	83,277	102,027	114,896
For producers' own use (short tons)	36,676	36,862	35,409
Unfilled orders for sale at end of month (short tons)	250,506	284,754	472,370
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of April:			
Production (number of units)	2,746	*2,634	4,116
Shipments (number of units)	2,855	*2,822	4,736
Shipments (value in dollars)	$9,912,370	*$9,900,390	$13,313,997

*Revised figure.

The Crucial Problems Confronting Today's Investor

(Continued from first page)

cycle? If he buys common stocks, what are the characteristics which the investor should emphasize in their selection? Let me hasten to remark that I do not pretend to have all the answers to these $64 questions. I mention them only to accent the nature of the investor's current problems.

Moreover, to stay within the time limits of this discussion, I will devote myself principally to a discussion of the economic aspects of these problems. The political aspects would take us too far afield. However, I might say that the strange behavior of equity prices, which have been in a bear market trend for a period of three years, encompassing almost the entire postwar business boom, furnishes evidence that the investor's worries go far deeper than merely economic considerations and that he has consciously or unconsciously been oppressed by the fears of social upheaval. It seems to me nevertheless that the political factors mentioned are not of controlling importance so far as immediate investment policies are concerned. With regard to the meeting of the Council of Foreign Ministers this, as was widely anticipated, produced little in the way of tangible results. Yet it seems to me to have been of tremendous significance as it contributes further to the economic, political and military unity of the members of the Atlantic Pact and continues to keep Soviet communism on the defensive. As a result, the danger of war is lessened and Western diplomacy has gained further strength.

It is important that we bear in mind always, however, that nothing is changed so far as the basic strategy of the Communists is concerned and that we must look forward to living under the tension of ideological world conflict perhaps for generations to come.

The Sterling Problem

On the foreign economic front the inevitability, in my opinion, of the devaluation of sterling is a negative factor in our economic outlook. The British are living in the wonderland of a welfare state in which they are seeking to maintain a standard of living above their capacity to produce. If they are to survive in a competitive world economy, they must relax certain rigidities in their economic structure though this will involve a lowered standard of living to the extent that they are unable to achieve a much higher level of productivity. One of these rigidities is the over-valued pound, which can no longer be justified as we pass to a world buyer's market. This will have certain deflationary consequences so far as we are concerned but its over-all effects on our economy should be virtually negligible.

As evidence accumulates that we are in the midst of a business slump of significant dimensions, it is likely that developments on the domestic political front will be of a stimulating rather than a depressing character and that the emphasis will shift away from the social measures of the so-called "fair deal" to an aggressively expansionist policy designed to forestall or at least cushion a recession. Signs already accumulate in that direction. Many of the proposals of the 1948 political campaign are now virtually in discard and others are likely to be watered down considerably. On the other hand, a number of measures have already been taken to encourage credit expansion including relaxation of consumer credit controls, reduction of margin requirements and a cut in member bank reserve requirements. This reversal of central bank policy is likely to be carried much farther in the course of time and generate a new wave of credit expansion, particularly since it is likely to be accompanied by renewed deficit financing in the coming years. Unemployment compensation and other income payments, farm price supports and an aggressive expansion of public works on an immense scale may be anticipated in an effort to compensate for a decline in private spending. Regardless of the ultimate wisdom of these devices, they should provide an important cushion for the economy when taken in conjunction with a continued high level of public expenditures for foreign aid and defense.

Depression by Any Other Name

There can no longer be any doubt that we are in a declining phase of our economic cycle. A good deal of economic nonsense has been uttered recently as to whether this is a readjustment, a recession or a "healthy" correction. I might observe that a depression by any other name is just as painful. The rate of industrial production as measured by the Federal Reserve Board index is down from 195 last fall to about 170 currently, or almost 13% in the space of seven months. In the same period the number of unemployed has doubled, from about 1.6 million in October to over 3.3 million in May—though it might be observed that the latter number is still extraordinarily low. Rising unemployment has likewise been accompanied by a reduction in the hours worked per week. In certain industries the decline in production has been acute as fabricators and merchants have sought to work off inventories. For instance, shipments of batteries in recent months have been far below the average rate of use. Orders for railway equipment have virtually disappeared. Bookings of fabricated structural steel in April dropped very near the lows of 1932-33 and in the same month orders for machine tools declined sharply to a level more than 30% below the 1945-47 average. For the first five months of this year total building contracts are down more than 8% from last year and residential building contracts alone are about 15% lower. Many other instances of a sudden precipitous reversal of trends could be cited.

A drop in commodity prices has accompanied the declining trend of new orders and production. The U. S. B.L.S Index of Wholesale Commodity Prices has declined from its high of about 170 in August, 1948 to about 153 currently, or about 10%. Moreover, the Bureau of Labor's Index of Sensitive Commodities, that is, primary prices of raw materials, has declined to date about 36% from its high in November, 1947. In the area of primary prices declines in many instances have been so drastic as to be closely comparable to the patterns of 1920-21. In the past two months we have had strong indications of rapid acceleration of the overall business decline.

While I am of the opinion that we do not have present in our economy today the usual elements of a major depression, and while I believe that the current contraction is not likely to be long protracted or severe I recognize that the great imponderable in all our calculations is the factor of public psychology. A decline in price instead of inducing renewed or increased spending is more likely to cause further deferment of spending in the expectation of still lower prices; and unless something intervenes to break this chain of thinking, this can generate a vicious deflationary spiral. For this reason I have no wish to be dogmatic in the opinions that I shall express with regard to the outlook.

Deflationary Psychology

We already have evidence of a deflationary psychology in the growing reluctance to spend on the part of both consumers and business men. During the past year consumers have been saving an increasing proportion of disposable income, and in the first five months of this year department store sales have declined about 4% as against last year in the face of a rise of almost 5% in total personal income. With a turn in the trend of prices last fall a significant change took place in the spending practices of business men. This is reflected in a decline of about $1 billion in inventories in April. A sharp cut has occurred in forward orders and the planned expenditures of industry for plant and equipment in the last half of this year are reported by the SEC at about 14% below the rate of the final half of last year.

Expenditures for durable goods which amounted last year to about 25% of the total national product are the strategic factor in our economy. This is the type of spending which is deferable for considerable periods of time, particularly in view of the heavy expenditures for such goods in the past three years. It is of importance to bear in mind that as our standard of living rises a growing percentage of the national income is devoted to the purchase of durable goods, for which demand is postponable; and this tends to magnify the swings of the economic cycle.

Incoming orders have been in a sharply declining trend since last fall and their present level and trend suggest a further material decline in the rate of industrial production.

What assurance is there that this declining trend of demand, prices, production and employment, which feeds upon itself, will not spiral into a major depression?

I think this is a matter of definition of terms and degree. We have had three major depressions in the past 30 years—1920, 1929, 1937. I believe it should be useful to examine the degree and character of economic changes in 1920 and 1937 as a background for the consideration of the probable degree of the present decline. I am prepared to rule out 1929 as I do not think we have a set of conditions now remotely resembling those of that unhappy era.

The 1920 depression was principally a violent deflation of commodity prices. The Bureau of Labor's Index of Wholesale Prices declined almost 45% in 13 months. This index has declined only about 10% in the past 10 months. While we shall undoubtedly see a further drop in prices, it is altogether probable that the decline will be more gradual and much less severe. The 1920 break was the violent product of a critical credit stringency, of which we have no evidence at this time. Indeed, our present situation is characterized by extreme credit ease and we have a number of cushioning factors not present in 1920. It is of interest to note that following the break of 1920-21, commodity prices settled down to a plateau about 50% above the prewar level for a number of years thereafter.

In the 1920 depression industrial production declined about 33% in 14 months. The 1937-38 depression was largely an inventory liquidation precipitated by a sharp contraction of bank credit. Industrial production again declined about 33% within a period of 12 months and wholesale commodity prices receded about 17% in the course of about two years.

The gross national product declined about 25% from 1920 to 1921 and about 17% from the fourth quarter of 1936 to the first quarter of 1938. It is a rather ominous fact that corporate profits declined about 100% from 1920 to 1921 and about 50% from 1937 to 1938.

Factors of Strength

There are present in our economy today a number of factors of strength which suggest to me that the current decline in production and prices should hold well within the limits of the 1920 and 1937 periods. I might enumerate these as follows:

I

The gradual process of the current adjustment. In past periods of depression declines in various phases of our economy occurred almost simultaneously and were largely unforesee. The present readjustment has already spread over several years. Some industries, particularly those of a luxury character, began their readjustment as far back as 1946. Others, including machine tools, radios and glass containers, began in 1947. The cutback in textiles, petroleum, auto trucks, household equipment, furniture, brass and leather, during the past year has been severe. While retail trade organizations have reduced inventories only moderately to date, outstanding orders have declined drastically. I am not suggesting that these readjustments have yet run their full course, and it should be recognized that several major industries now working against backlogs with declining orders have their correction lying ahead; but the rolling nature of this readjustment has been such that the effects on our over-all level of economic activity have been extremely mild and there is little evidence of financial distress except among marginal companies. The sober behavior of bankers, businessmen, investors and speculators throughout the entire period of the postwar boom has provided a sturdy financial and psychological buffer against the exigencies of the current transition to the more normal conditions of a competitive economy.

Because of the restraint and foresight exercised throughout the boom period by consumers and businessmen, this gives the appearance of being one of the most humane depressions on record. A major bust has always in the past proceeded from a prior period of buoyant optimism and excessive speculation including over-expansion, over-buying, over-borrowing. In contrast, the past three years have been characterized by extreme caution. A large part of earnings has been plowed back into plant improvement and the strengthening of working capital positions. Inventory and borrowing policies have been moderate and heavy reserves have been set up generally against the anticipated period of contraction.

II

A second factor of strength —corollary to the foregoing—is the relatively sound and easy condition of credit. An essential element of every major depression of the past has been the forced liquidation of excessive inventories and other speculatively held property to reduce swollen bank indebtedness. Admittedly inventories currently are high in absolute terms but they are not high as related to sales. Total inventories of $53.5 billion in April were equal to about one and a half times total monthly sales, or about the same as the relationship of 1939. True, current inventories could be burdensome if a sharp contraction in sales should occur; but the recent marked reduction in forward orders and business loans suggests that these are being adjusted rapidly to a lower level of activity. The business loans of the member banks have declined almost $2 billion in the year to date and this reduction gives every evidence of being voluntary and orderly, rather than forced and panicky. In a number of industries, particularly consumers goods, inventories have reached bare-bones dimensions and the necessity of their replenishment over the next several months should provide at least some offset to the declining production of those industries whose readjustment is just starting.

The strength of the credit situation rests in the low level of private debt in relation to income and liquid assets. At the end of 1948 total private indebtedness amounted to only about 83% of the annual rate of national income. This compares with 160% in 1940, 190% in 1936, 200% in 1928 and 206% in 1929. In 1940 non-corporate private debt exceeded total personal liquid assets. Currently such liquid assets are about two and a half times total private debt; and they provide a large bank of purchasing power at such time as lower prices, improved quality and sound merchandising policies invite an increase in consumer spending.

Government Stimulus

Meantime, the expansionist policies of the Government accompanying a reduction in inventories of both producers and consumers could furnish the force that would turn about the current deflationary trend. Certainly it may be said that there is no evidence of the development of credit stringency, which has been an invariable element of past major depressions.

III

Despite the large expenditures of the past three years there still remains an important backlog of demand for consumer durable goods, housing and industrial plant and equipment. The need for automobiles is still large, assuming manufacturers cut their prices to the pattern of mass purchasing power. There are presently more than six million passenger cars on the road over the average age at which they are scrapped, and the rate of scrapage last year was only about half of normal. While the number of dwelling units completed last year slightly exceeded the increase in the number of new families, this has made only a slight dent in the housing deficiency as measured by the number of families living doubled up.

A recent report of the SEC estimates planned expenditures by industry for plant and equipment in the second half of this year at a rate of about $17.7 billion. This as I have stated before is about 14% below the rate of the last six months of 1948 but it is still above the rate of any year prior to 1948. Moreover, following the current correction of costs, the indicated long range plans of industry suggest a rate of expenditures for capital goods over the next several years at about an average level of the years 1946 and 1947. Even after the high rate of such expenditures in the past three years our studies indicate that industry has not yet made up the accumulated deficiencies of the preceding 15 years.

IV

There prevails, moreover, a high level of income and purchasing power for the satisfaction of these demands. I have already pointed out the low level of private debt to income and liquid resources. The liquid assets of individuals are currently estimated at $200 billion and the rate of consumer spending in relation to income is still subnormal as measured by prewar standards.

A sharp decline in employment could, of course seriously impair the ability and willingness of the consumer to spend. Unemployment figures are still moderate—

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The Crucial Problems Confronting Today's Investor

(Continued from page 33)

only slightly above the number normally unemployed in a period of full prosperity; and the nature of this recession as well as the expansionist policies of the Government suggests that they are not likely to become unwieldy. But it should be borne in mind that the employment figures are the key to the course of our economy from here on and they should be scrutinized closely by investment analysts.

Common Stock Values

In the appraisal of common stock values the investor should not overlook the enormous increase in equity which has resulted from plowing back a major share of earnings in recent years, and the consequent easy financial position of typical corporations. We know of course of many good common stocks which are selling today for less than their working capital per share.

An examination of the 30 stocks comprising the Dow Jones industrial average reveals an average increase in the book value of these stocks between 1939 and 1948 of about 75%; and this is after setting up huge reserves in many instances. This figure is diluted, moreover, by the inclusion of American Telephone, which had substantially no increase in book value in this period. As against this average increase of 75% in book value, I need hardly remind you that the market price of this average has risen only about 10%.

Indeed, if we look at the increase in book value of typical stocks since 1939 as related to current market values, we are brought to the strange conclusion that the market appraises the retained earnings of this period at less than nothing. Let me give you a few random examples selected from many. From 1939 through 1948 the book value of Deere increased $33 as against a current price of 33. Allied Stores increased about $30; the current market is 29. U. S. Steel—book value up $24.65, market 21½. Goodyear—book up $59.44, market 37. Great Northern Railway plowed back $52 of earnings per share in this period. It is selling at 35½.

V

A fifth favorable factor, so far as the intermediate term economic outlook is concerned is the prospective substantial increase in Government spending, both local and national, over the next 12 months, which should offset a considerable part of the anticipated decline in private spending.

I am not one of those who believe that we can spend our way to prosperity. Moreover, I suspect the theory of compensatory expansion and contraction of Government spending because I believe that Government spending is likely to be a one-way street. Politically it is far easier to spend than not to spend. I suspect that we shall one day have to pay the piper. I have long held the theory that our serious inflation may come following a period of major depression. But we cannot ignore the stimulating effects temporarily of a rise in Government spending financed by an expansion of credit. We are now spending close to 10% of the national income for defense and foreign aid. The increase in other Government spending, local and national, already in prospect is about 5% of the national income. This is a major economic prop.

Weighing the foregoing factors against the background of the behavior of previous periods of economic contraction, I believe it is a fair guess that we have already completed, say, about one-half of the current readjustment in both time and degree. The Federal Reserve Board index has already declined about 13%. A further decline to a rate of about 155 over the course of the next nine months seems a reasonable probability, bearing in mind that several industries heavily weighted in this index have a major share of their readjustment lying ahead. This would be an over-all decline of about 20% and would bring the rate of industrial activity down to well below what can be regarded as a normal level based on secular trend, particularly population growth. The population of the United States has increased about 14% since 1940.

The wholesale commodity price index is already down about 10% from 170 to 153. A further decline to about 145, or an over-all correction of about 15%, would appear to be a fair estimate having in mind the present monetary environment. The present money supply is three times that of the prewar period. Moreover, it is the product largely of the monetization of the public debt and as such will remain at or above its present level for a long time to come. It seems to me to follow that commodity prices should stabilize not far from current levels for some years ahead.

A decline of this degree in the rate of production and the level of commodity prices might be expected to produce a decline in the gross national product of about 10% to 12%, or about $25 to $30 billion.

Impact on Earnings

What might be expected to be the impact of a decline of this degree in the gross national product on the earnings of typical corporations whose shares are widely held by the public? This brings us up against the baffling problem of the break-even point. I suspect that industrialists themselves do not have a very close idea of their break-even point because of the many imponderables which enter the equation, and we shall not know precisely what break-even points are until they have been reached. It is, therefore, a bold undertaking to attempt to project earnings of typical companies based on the foregoing assumptions as to basic economic factors. We all have the impression that break-even points are high as compared with previous periods because of the rigidity of certain present high costs; but I wonder if this takes sufficiently into account the important areas in which a significant reduction in operating expenses can be realized. These include (1) a sharp decline in raw materials prices, (2) a possible major reduction in the high rate of discretionary expenditures of the boom period, (3) increases in labor productivity resulting from the great cost-saving technological improvements of the past several years, and (4) the greater efficiencies attainable at reduced levels of production through the elimination of marginal plants, equipment and labor. I suspect that we may be pleasantly surprised to find that the break-even points of industry generally are little if any higher now than they were before the war.

My organization has made an earnest effort to project future corporate earnings rates based on the assumptions which I have named. It is our conclusion that the average rate of net earnings of representative companies at the nadir of the current decline is not likely to be as much as 50% below the net earnings of 1948.

This may not sound like a very comforting observation; but it must be viewed against the background of prevailing price-earnings relationships and common stock yields. The Dow Jones industrials are selling currently at only about seven times 1948 composite earnings of $23 per share. This is the lowest price-earnings relationship of the past 30 years and is a conspicuous example of sobriety of prevailing investment sentiment. A bear market has never been born in such a pessimistic environment. My organization has made a careful study of historic price-earnings relationships based on Barron's 50-stock average, and it is our conclusion that the market is currently discounting a decline in corporate earnings of as much as 60% from the 1948 level.

I am not willing to assert that the market will advance or that it will not decline somewhat farther in the face of a sharp decline in corporate earnings. In individual instances market prices have probably not yet made full allowance for the drop in earnings that lies ahead. We have had ample evidence, however, that the market can move against the prevailing course of earnings. In fact, ever since 1939 it has moved consistently against the current earnings trend.

The Current High Yields

As a derivative of the present abnormal price-earnings relationships of good common stocks, the investor should consider carefully the extravagantly high yields provided by good common stocks from generally conservative dividend pay-outs. Recently dividends have represented only about 40% of net earnings available as compared with a normal pay-out of 65% or 70%. Yet our Index of Confidence, which expresses the relationship of common stock yields to high grade bond yields, stood at about 2½:1 at the end of May, that is, typical common stock yields were 2½ times the yields of high grade bonds. There has never been a time in the last 20 years when this relationship has been so high, that is, when investment confidence has been so low, except for a few months following Pearl Harbor; and it is well to emphasize that there has never been a time when this ratio has been in its present approximate area that the purchase of common stocks would not have provided satisfactory longer term investment experience.

In considering the timing of common stock commitments the investor should not overlook the fact that the current high yields of common stocks provide a considerable cushion against a price decline, particularly if this should extend over a considerable period of time. If the investor had owned Moody's 200 representative common stocks in 1946, if he had been wise enough or lucky enough to have sold them in June, 1946 at about the top of the market, and if he had reinvested the cash proceeds in the same stocks in December, 1948, he would have profited not at all after taking into account the cost of selling and buying and the loss of income sustained in the interval.

I am prepared to look with equanimity on the recent so-called confirmation of a bear market. Dow Theory signals have not been conspicuously reliable guides to market policy for some years past. We recently had a bull market signal which signified nothing except the end of the bull market, if it could be so called. Actually the market has been in a declining phase now for about three years and has long discounted the current business cycle, having resolutely ignored the glad tidings of extraordinarily good corporate profits and dividends all through this period.

On the basis of this appraisal of the economic outlook as related to the prevailing level of common stock prices and yields, I believe that the investor is likely to enjoy more satisfactory investment experience over the longer term in holding carefully selected, broadly diversified, investment grade common stocks than in holding cash or credit instruments at this time, particularly if we bear in mind the vast amount of inflation virtually frozen into our economy. Common stocks are the only major element of the economy which do not reflect the degree of inflation which has taken place since 1939.

I believe that the average conservative investor would be justified in holding good common stocks at this time to the extent of at least 60% of his total portfolio and I should recommend that for the present the balance of his investments be held in a reserve of United States Treasury bonds.

I will state quite frankly, too, that I am firmly of the opinion that the average investor can best realize the specifications of successful common stock investment through the shares of well managed investment companies. These specifications are careful selection, constant supervision and broad diversification. Through investment company shares any investor, regardless of his means, can obtain the benefits and safeguards of professional investment management and broad distribution of risk that are ordinarily available only to the large institutional investor.

Observations

(Continued from page 4)

tax, and the SEC, which was originally created to protect the public because of the misadventures of Wall Street? Will its temporary gains pay off or will it have paved the way for a real union of stockholders over which proxies management will have no control, which in the inevitable pendulum could put a representative of labor on the Boards of Directors of the very companies which have mobilized their stockholders against it"?

Nothing is said about the acceptance or the solicitation of proxies. This is a "detail" which Mr. Friedman tells me is to be "worked out." Will management help to set up an agency which will in any way threaten its own control of proxies which it now has? Can a stockholders' union be a true union of stockholders if it is stripped of its independent voting power?

Does the Friedman plan already provide a blueprint for management control of this stockholders' union? Management will either select or approve the stockholders recognized to form the union, as in the instance so glowingly advanced by Mr. Friedman—the Pennsylvania Railroad, the "courageous pioneer" in appointing a stockholder committee to work with management (at a time when the railroad is under attack, particularly because of the Long Island fiasco, and may have found it convenient to have a stockholders' committee as an umbrella).

It was my privilege to fight the appointment of a similar committee by the same stockholder proponents at the annual meeting of United States Steel last year. This was comparatively simple. I had only to amend the proposal like the one which has won rave notices from Mr. Friedman, to read that the *stockholders* elect instead of "management appoint" a stockholders' committee, to be composed of both sexes, since there are more women than men stockholders of U. S. Steel, to work with management not just on matters pertaining to "government and labor" but on ALL matters pertaining to *stockholder interests,* for it to be *defeated.*

A stockholders' committee or group which is appointed by management and not elected by the stockholders, or at least composed in such a way as to give fair representation to the minority stockholder point of view, is not a "stockholders' committee" but a management committee.

Beginning with this nucleus of selective control or paternal approval by management under the Friedman plan, management is assured of control by having "one outstanding corporation director" (not necessarily the most stockholder-minded director) either as the CHAIRMAN of such stockholder union boards or its liaison officer. It is further provided that the management "submit or approve a list of outstanding candidates HALF OF WHOM the stockholders would select for the union boards, plus the chairman of the boards, giving further assurance of control. If an "obnoxious" (obnoxious to whom?) candidate should try to "foment trouble" he could be "*challengeable by the MANAGEMENT subject to reasonable conditions, as a candidate for a jury panel can be challenged and excluded.*" Was this thoughtfully designed for the ebullient brothers Gilbert whose persistence has forced the modernization of stockholder relations which the management of many progressive corporations have come to respect, but would gladly shake off? Has the Friedman plan thought of everything to woo industry?

A temporary organizing commission is suggested to be formed by issuing houses, stock exchange firms, and investment trusts to be trustees of their clients and for ALL STOCKHOLDERS. These stockholder trustees are to be chosen from representatives who have *close contacts with company executives.*

As an independent "stockholders' union," doesn't it begin to smell mighty unlike a rose?

"A Mirage"

A mirage is depicted of "approximately ten million American citizens, stockholders, MOSTLY SMALL, a veritable vast army, to appear before Congressional Committees. This is the "popular pressure" which is to offset the labor lobby under the catnip of reducing taxation (which we will get back in the form of hidden taxes) which is to "impress" Congress and fight for "equal suffrage and equal rights" with other pressure groups.

Does the fond idea of mobilizing the small stockholder for this grass root level front under the present program show a blithe indifference to the causes, effects, and strength of the public stockholder movement which slow but healthy growth this union is destined to divert or wipe out? Does it show any grasp of the thinking of the small stockholder which the Stock Exchange believes to be not a small stockholder at all but merely a stockholder whose holdings are diversified into small lots?

Not only the small but many very large stockholders who live on their income are as much preoccupied with the repeal of top bracket pensions and stockholder purchase plans, now so fashionable, which have been exposed in some instances as management incentives but no incentive for the stockholders, and a fair dis-

tribution of dividends as with the repeal of the capital gains tax and double taxation. These items are "details" carefully not touched upon in the Friedman plan.

A significant proportion of grass roots level holders in such companies as American Telephone and Telegraph, the largest non-financial corporation in which one-quarter of its stockholders own five shares or less, are labor, which the new stockholders union is being organized to oppose.

In calculating the march on Washington in the holy name of the small stockholders, deducted from the "approximately 10,000,000 stockholders" will have to be a very large percentage of employee stockholders, the articulate minority which has been fighting for 20-odd years for corporate reforms and might also turn up screaming before Congressional Committees, and the independent public stockholder. Women are said to compose some 6,000,000 of the guesstimate of 10 to 15 million stockholders. Without the support of the Federation of Women Shareholders, which represents the woman's economic suffrage movement, a considerable number of followers will be lopped off.

To win the support of the Federation of Women Shareholders such a union would have to guarantee stockholder independence with no Bunty-pulls-the-strings; be set up along public service lines to stockholders and to industry and not designed primarily as a propaganda pressure group. It would have to recognize that management and labor are both employed by the stockholders, and management IS labor, so far as the stockholder is concerned, which has been assigned to duties to manage and not to be a privileged class.

The function of such a union, as I see it, would be as a catalyst between management and labor, industry and government, and to restore through corporate citizenship to the capitalist his prestige and public influence within the framework of our time.

By their fruits shall ye know them.

Stand on Special Questions Called For

Will the new stockholder union work for a free economic vote for its members? The SEC was willing to give such a vote to stockholders but due to corporation insistence that it would create chaos unless the stockholder is told on the proxy whether to vote FOR or AGAINST a proposal, and due to lack of stockholder organization at the time, this free ballot was lost.

Will the new union allow unmarked proxies to be cast by management for its own interests? Will it work to put unlisted securities under the SEC and make proxy solicitation mandatory and for other reforms or will it work to destroy the SEC which it criticizes and which gave to the stockholder the proxy rules which enables the public stockholders' voice to be heard?

Will it concern itself with the addition of outside directors on boards now composed only of employee directors who vote on matters pertaining to self-interest including compensation? Will it demand that nominees and directors attend stockholder meetings and stand for questioning from stockholders? Will it work to hold annual meetings in more accessible places so more stockholders can attend? Would United States Steel (one of the companies mentioned in the "New York Times") give support to a union which advocated modernizing a practice which they have already declared in their proxy statement they could see "no sound reason to alter which has been in effect for 50 years"?

As for cumulative voting—it is your guess as to where the new union will stand.

Are these reforms "Attack on management" or are they evolution to strengthen and preserve our private enterprise system and to give to the progressive element in management stockholder support that will enable it to function, and free boards dominated by the old guard thinking? To insure the privilege of management to manage, we must meet the challenge of our time.

Only a few days ago, Mr. Emil Schram told me that he, too, had many complaints from the stockholders coming over his desk. Apparently like the poor, these are always with us. Mr. Schram asked me if I thought management practices are at fault in drying up the flow of venture capital. I said: "In some cases I do." He told me he looked with favor upon stockholder organizations but not to worry about reforms, or putting women on boards; if I didn't want a "hard row to hoe," just to "concentrate on taxation."

WILMA SOSS,
President, Federation of Women Shareholders.

New York City.
June 27, 1949.

Socialism Is Cooked Up for Us—Unless We Do Something About It!

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tutions than all the rest of the nations put together. Looking **ahead**: From 1951 to 1960, **our population will increase by perhaps 10,000,000 persons,** according to the study of "America's Needs and Resources," made by the Twentieth Century Fund. By **1960**, our industrial output could **be 30%** greater than it was in the **boom** year 1948. There should be **64,000,000** persons gainfully employed by 1960, the study shows. **Yes, America has a future**—and **that** future is, for sure, worth saving, not only for ourselves but **also** for the rest of the world.

Asking Uncle Sam to Do Your Home Work

The twin difficulty we are up against at the moment is this: Too many men and women—and too many communities—are asking Uncle Sam to do their home work for them. And too many crafty politicians and wishful do-gooders in the government, who are always willing to please when it comes to garnering votes, are making promises they cannot by any means fulfill—and that can only lead in the end to national bankruptcy!

This is a situation you can remedy.

The second thing you can do is to **become active politically.** This is not too difficult. In fact, it's fun. It's a good hobby. And it pays tremendous returns.

What you do in politics in a single day may affect the future for many generations to come. You can never tell how far-reaching your influences may be, and you should proceed on that basis.

(1) The very first thing for you to do is to make sure you are are registered as a voter. And get others to register. Many elections are won or lost on registration day. Get your names on the dotted line. (2) Then, it is necessary for you to become acquainted with political leaders and public officials. It is amazing how few prominent business and professional men are personally acquainted with their Senators and Congressmen. Worse still, some of them do not even know the names of their Washington representatives. (3) Next, it is important to know **what the various candidates stand for.** You can perform a real public service by insisting that each candidate and officeholder be explicit about his position on every important question. (4) Then, next, it is necessary for you to be **thoroughly familiar with current public issues.** Get your name on the mailing lists of various organizations that keep pace with political developments. Keep yourself posted. Be prepared to express a well - informed, well - reasoned point of view; and (6) the next suggestion is that you make your political opinions available to the public—and to the people who work for you and with you.

Oliver Wendell Holmes reminded the people of his day of the importance of talking over, and thinking through, political matters.

"The great questions of the times," he said, "should be discussed in all ways consistent with the public welfare, by different classes of thinkers; by ministers and laymen; by statesmen and simple voters; by moralists and lawmakers; by men of science and uneducated hand laborers; by men of facts and figures; and by men of theories and aspirations; in the abstract and in the concrete; discussed and rediscussed every month, every week, every day and almost every hour."

The same holds true today—only more so. You should never underestimate your ability to render a real public service by openly discussing political questions.

Voters need and want your advice. It is astounding how many unthinking persons, who are dependent on the returns of industry for their livelihood, take the crackpot's advice on public matters, when the businessman is too busy or too timid to offer his advice.

The next step is to get out and work for your political organization. Give them some of your time. Practically every businessman is willing to contribute cash—but too many businessmen stop right there. It is the sacrificial effort of leaving your fireside and office to ring doorbells that could make the difference between winning and losing in today's great struggle.

The next step is to vote and to help get out the vote on election day. Strange as it may seem, many persons who are everlastingly cussing the government, fail to vote on Election Day. Here is an example of what I mean: In the past Presidential election the winner received 24,045,000 votes. As you know, he did not receive a majority of the popular vote. In fact, the other candidates for President received 24,444,000 votes—about 400,000 more than were cast for Mr. Truman.

But that is only part of the story. On Election Day, 45,000,000 voters stayed away from the polls. Can you beat that for a civic scandal! More voters failed to exercise their right to vote than voted for all the Presidential candidates put together! These figures should be under the glass top of the desk of every business executive in America as a constant reminder to him that he must become the Paul Revere of 1949! It's up to him to ring doorbells and help men and women to be citizens in the fullest sense of the word.

And no matter how the election turns out, you can, and should, maintain close contact with your public officials. It's nice to have your candidates win. But sometimes they don't win. Keep in contact with whoever is elected to office. Remember that he is now one of your employees. Show him that you are looking to him for a good voting record.

So much for your political activity.

A Program of Human Relations

There is still another thing you can do. That is to have a thorough-going program of human relations in your business concern. Remember that you are Mr. Private Enterprise, and govern yourself accordingly. If we are to save the competitive system—as I am convinced we must do—someone (that means you) must start telling the facts of life about business to your employees. The principal requirement is that you make certain you are using real, honest, understandable facts, and not bees-and-flowers platitudes.

Tell them what your company is doing—what its competitors are doing. Tell them what the figures in the bookkeeping department are all about. Tell them what happens to a dollar when a customer buys the product they make. Tell them about the new dollars of capital you would like to have from the stockholders to buy more facilities and tools. Show them how many dollars it takes to make just one job in the plant. Make it clear that your policies are progressive and adaptable to change. Use simple words and pictures to do it. You will be amazed at how new and interesting some of these things can be to workers. And you will be amazed, too, at how you can clear up misunderstandings and wrong assumptions.

Telling employees what makes the business system tick is not an easy job, but it is probably one of the most important obligations which confronts you today. You have common sense on your side. You have the advantage of being right. But being right is not enough. You must **sell** your principles. You are in a position to do a constructive job for yourself, for your employees and for America. You will be winning freedom for the individual citizens of America in this great battle against political oppression—against a grabistic political tyranny. The conquest of political tyranny has always been a great adventure—and is the biggest contribution America has given to the modern world. Today we must fight a new kind of battle—the struggle for men's minds.

No work in America is more important than the task of arousing every citizen for the defense of his individual political and economic freedom. There should be an awful sense of urgency—a blazing faith—an awareness of personal dedication on the part of every American. Every now and then with shame I reflect upon today's complacency and my own indifferent citizenship. When I do, I like to read again Maxwell Anderson's great play, "Valley Forge." In one scene, General Washington visits a bunkhouse at Valley Forge in the bitter January of 1778. Confronting him is a squad of disheartened Virginians who voice their discontent over the harpships they must endure. They want to go home. Washington knows that if they leave, they will not return. He asks them what they are fighting for, and they tell him they are fighting to keep King George out of their backyard, and that they are sick of tax collectors. Washington's reply is characteristic of American leadership and the love of freedom.

"Then," he tells them, "it may be you are here in error, and the sooner you discover it, the better. You will get death and taxes under one government as well as another. But I will tell you why I am here, and why I hoped you were here. What I fight for now is a dream, a mirage perhaps, something that has never been on this earth since men first worked it with their hands, something that has never existed and will never exist until we make it and put it here—the right of free-born men to govern themselves in their own way.

"Men cannot live without a government, but the only reason for our having a government is to protect and defend those rights and freedoms that we already have as individuals. Make your own decision. But if we lose you—if you have lost interest in this cause of yours—we have lost our war, lost it completely, and the men we have left dying on the battlefields have died for nothing whatever—for a dream that came too early and may never come true."

Today we must realize that, because of this adventure, we Americans possess our Bill of Rights and the principle of a limited government, which represents a completely new idea in mankind's long struggle for liberty and progress. It represents the fundamental reason why we are today the greatest nation on earth—the last great hope of freedom in the world! We must guard reverently the symbols of individual human dignity on earth. They are the results of the martyrdoms of men. They are the noblest and purest offerings that the divine spirit within us lay on the altar of history.

We can pledge ourselves anew to the ideal of freedom; we can dedicate ourselves anew to the spirit of unity; we can consecrate ourselves anew to working for the welfare of the whole American people.

We can pray—and we can work—for what we know is right. We can perform something worthy to be remembered. Perhaps we can sum up all of our hope and determination by paraphrasing Winston Churchill's immortal words, "Let us gird ourselves to do our duty—so bear ourselves that if the United States of America shall live a thousand years, men will always say—this was her finest hour."

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Chester W. Bunnell Jr., has become associated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. He was previously with J. Barth & Co.

C. H. Laufman Co. Formed

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—C. Harry Laufman is forming C. Harry Laufman Co. with offices at 595 East Colorado Street to engage in the securities business. Mr. Laufman was formerly local manager for Hill, Richards & Co.

Two With Bennett & Co.

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, CALIF.—Charles T. Abeles, Jr., and Walter M. Crooks have become associated with Bennett & Co., 6253 Hollywood Boulevard. Mr. Abeles was previously with Gross, Rogers & Co.

Phila. Nat'l Bank Promotes

PHILADELPHIA, PA. — The Philadelphia National Bank announces the following promotions: E. Wallace Miller to Assistant Vice-President; Wistar H. MacLaren and Arthur H. Quinn, Jr., to Assistant Cashiers.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Joseph R. Brenemen is with First California Co., 300 Montgomery Street, members of the Los Angeles Stock Exchange.

Question of Sterling Devaluation

(Continued from page 9)

quotas and other hindrances to trade should be abolished between these countries and payments agreements should be worked out so as to allow freedom of current payments between these countries so that there will be no fear of the foreign exchange control being used to hinder the free flow of current trade between the countries. A plan like this, adopted in the immediate future—say before Jan. 1, 1950, would have all the advantages of the support of Marshall aid and a large flow of dollars which would help in alleviating the difficulties of various industries who would be hurt, and the problem of high cost production countries. It would also allow a clear exposure of the problem of Europe's costs of production, and it would thus give us a clear index of the values of the currencies of the various European countries which is a necessary forerunner to any definitive adjustment of exchange rates. You will notice that I have not suggested a complete customs union. This is very difficult to achieve with countries of such different standards of living. Further, there are many reasons why it is quite important to give the home producer some protection in his own market, but with a low tariff there should be no barriers to prevent entirely trade moving between different countries and there would be a very definite incentive to both management and labor to adjust their costs to meet the competition of the other European countries. Countries must face this price problem if they are to carry out their undertakings to become viable by 1953 and able to stand on their own feet in what is bound to be a very competitive world. A competitive devaluation of currency is no answer to this problem, merely bringing in its train all the evils of inflation. A low tariff area inside Europe will be a real sign to the American people that the countries of Europe are trying to fulfill her undertakings.

Of course, the ultimate aim must be the free convertibility of currencies throughout the world. Great danger would result from the creation of two areas, a dollar area and a sterling area, with a great disparity of price between them. Already nearly all currencies are soft as against the dollar. The only way out of this problem is by creating the maximum of multilateral trade throughout the world and the free convertibility of currencies. I have already suggested the basis for an expansion of trade between the Marshall aid countries, but we must remember that there is no economic reason whatever for the retention of American tariffs at such a high level, unless the dollar famine is to become chronic and permanent. Furthermore, let us remember that the movement of peoples between countries is of the greatest importance and therefore special attention should be paid to coordinate immigration policies between the countries who are overpopulated and those which can and should receive new populations.

In the present great emergency the use of bilateral agreements may be justified between the countries, but if we are to achieve the maximum of trade—and our objective is to regain the maximum of world multilateral trade—these bilateral agreements should be of the shortest duration indeed and they should be so designed as not permanently to postpone the achievement of the broadest multilateralism. Indeed they should be so drawn as to encourage this at the earliest practical date.

I have dealt with two very topical problems, indeed one of the purposes of the International Chamber Congress is to discuss current problems. In the case of the revaluation of the pound sterling I have suggested a cautious policy, but on the question of intra-European tariff agreements, there can be only one pace—full speed ahead.

The International Chamber of Commerce is a free enterprise group. We believe that under our system we shall achieve the greatest good for the greatest number. There are some who believe in new and unproved systems, which so far have merely distributed their miseries evenly over all the people. Of course, we recognize that due supervision by government is necessary.

Free Enterprise Extolled

Free enterprise can hold its head up in any company. It is free enterprise that supplied the munitions, tanks, aircraft, ships, guns, and landing craft, etc., which liberated the world from the dictatorships. On the other hand, when disaster came to the democracies early in the war substantial blame can be given to those nationalized industries which failed to produce the necessary aircraft and tanks to stop the invader in 1940. Furthermore, it was free enterprise industries which supplied the men to direct the great production drives in the United States, the United Kingdom and Canada, without which the war could not have been won.

In the International Chamber we have a number of members who represent government enterprise and in our committees we are prepared to discuss technical questions with anybody in the world. At a conference on arbitration shortly after the war we had representatives from the Soviet Union. Strictly technical matters were discussed and politics avoided and their participation in this conference was definitely constructive.

However, let us remember that private enterprise distributes its benefits unevenly and is fundamentally based on the individual in giving him the greatest opportunity to use his talents. It is therefore essential that the broadest opportunity be accorded to the individual to better himself and by doing so to benefit his neighbors and the whole economy.

The bulk of the work of the Chamber and its thinking is done in small committees where the problems are thrashed out in the greatest detail by individual business men and practical experts from the different countries. This process of thought and discussion is the process of self-education of the businessman and is of prime importance in the constructive work of the Chamber.

Let us remember there is a moral purpose behind our work. For a democratic society an individual cannot prosper if his neighbors are in poverty. Neither can a country prosper if all the countries around it are in poverty. Our work is to broaden the basis of world trade and thereby increase production, ironing out technical difficulties of trade between the different countries and pouring oil into the machine of international commerce, thus easing the distribution of the good things of the world and bringing them within the reach of all the people. It is only by raising the standards of living of all the people that we shall defeat new doctrines and avoid social disorders and maintain our way of life.

One of the greatest values of our Congress is the personal contact between businessmen of different countries, personal contacts made outside the committee rooms where friendships are cemented. It is thus that we can spread our knowledge from one country to another, get to know each other, and make the firm friendships which count for so much in human association.

I believe we of the International Chamber of Commerce can claim, in the words of that great world citizen, Franklin Roosevelt, the words he used on a bitter January morning, on the south portico of the White House, in 1945 at his Fourth Inauguration: "We have learned to be citizens of the world and members of the human community. We have learned the simple truth as Emerson said: 'That the only way to have a friend is to be one.'"

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Allied Electric Products, Inc., Irvington, N. J.
June 20 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. No underwriting. Expansion of facilities for manufacture of television tubes, and working capital.

American Light & Traction Co.
May 13 filed 634,667 shares of common stock (par $25). **Offering**—United Light & Railways Co. (parent), is offering to its stockholders of record June 1 the right to subscribe for the 634,667 shares of American at $12 per share on a 1-for-5 ratio. Rights will expire July 1. **Underwriter**—None. The proposed sale is to conform with SEC order under the Holding Company Act which calls for United's sale of American Light stock holdings.

• Arizona Petroleum Exploration Co., Phoenix
June 20 (letter of notification) 200,000 shares ($1 par) common stock. Price, par. No underwriter. To drill from one to four exploratory wells in Pinal and Pima Counties, Ariz.

• Berry Motors, Inc., Corinth, Miss.
June 21 (letter of notification) about 4,300 shares (no par) common stock. To be sold for the benefit of R. Howard Webster, Montreal, Quebec, Canada at $11 or $12. **Underwriter**—Gordon Weeks & Co., Memphis, Tenn.

• Brass & Copper Sales Co., St. Louis, Mo.
June 22 (letter of notification) 1,136 shares ($10 par) common stock. **Price**—$30 each. No underwriter. To increase working capital and for ordinary corporate purposes.

• Central Electric & Gas Co., Lincoln, Neb.
June 29 filed 132,874 shares ($3.50 par) common stock. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone and Webster Securities Corp., New York. Price and underwriting terms by amendment. **Proceeds**—to finance an $8,400,000 expansion program for two telephone subsidiaries.

Central Fibre Products Co., Inc.
May 6 (letter of notification) 3,000 shares of non-voting common ($5 par). Price, $22 per share. **Underwriter**—Bosworth, Sullivan & Co., Denver, Colo. Proceeds to selling stockholders.

Central Ohio Light & Power Co., Findlay, Ohio
June 17 filed 25,240 shares ($10 par) common. **Offering**—To be offered to common stockholders of record July 1 at the rate of one-for-five. Rights expire about July 20. **Underwriter**—The First Boston Corp., for unsubscribed shares. **Proceeds**—For construction.

• Chicago Pump Co.
June 20 (letter of notification) 29,000 shares of 70-cent cumulative preferred stock. **Price**—$10 per share. **Underwriter**—Straus and Blosser, Chicago. To retire an interim loan of $250,000. Office, 2336 Wolfram Street, Chicago.

• Citizens Credit Corp., Washington, D. C.
June 22 (letter of notification) 2,800 shares of Class A common stock ($12.50 par) and 1,400 shares (25¢ par) Class B common stock. To be offered in units of two shares of Class A and one of Class B stock for $29.75 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—General corporate purposes, including establishment of a small loan office in Mt. Rainier, Md.

Coast Counties Gas & Electric Co.
June 17 filed 75,000 shares ($25 par) cumulative preferred stock, series B. **Underwriter**—Name by amendment. **Proceeds**—To pay bank loans, if any, additions, improvements, etc.

• Colorado Placers, Inc., Denver
June 20 (letter of notification) 140,000 shares (25¢ par) common stock, of which 84,000 shares are to be sold at par and 56,000 shares, donated to the company by its directors, are to be offered as bonus shares. Two bonus shares will be offered free with each three shares purchased. No underwriter. For testing gold placer ground.

• Cooperative G. L. F. Holding Corp., Ithaca, N. Y.
June 29 filed 44,088 shares 4% cumulative preferred stock. **Offering**—To be offered at $100 to farmer and non-farmer patrons of the G. L. F. Exchange and its affiliates. **Underwriting**—None. **Proceeds**—To replenish working capital.

• Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
June 29 filed 1,200,000 shares ($5 par) common stock. **Offering**—To be sold to members and farmer patrons. **Underwriter**—None. **Proceeds**—To be added to working capital and used for general corporate purposes, including payment of $12,693,000 in loans to an affiliate, Cooperative G. L. F. Holding Corp.

• Crispi Products, Inc., Los Angeles
June 20 (letter of notification) 40,000 shares ($1 par) common stock, of which 20,000 shares are to be sold by the issuer at $1 each and 20,000 shares are to be issued for promotional services. No underwriter. To buy machinery, equipment, supplies, materials and inventories.

Dayton (Ohio) Power & Light Co.
June 17 filed 283,333 additional shares ($1 par) common. **Offering**—To be offered at rate of one-for-six to common stockholders of record July 7. **Underwriters** — Morgan Stanley & Co. and W. E. Hutton & Co. for unsubscribed shares. **Proceeds**—To repay the company's outstanding $5,000,000 bank loans and to finance a portion of its construction program in the remainder of 1949.

Delaware Power & Light Co. (7/6)
June 8 filed $10,000,000 first mortgage and collateral trust bonds, due 1979, and 50,000 shares of preferred ($100 par) cumulative stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds); The First Boston Corp. and Blyth & Co., Inc. (jointly); Shields & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Otis & Co. (stock); W. C. Langley & Co.; Union Securities Corp. (bonds); Lehman Brothers; Salomon Bros. & Hutzler (bonds); Merrill Lynch, Pierce, Fenner & Beane, and Union Securities Corp. (jointly on stock). **Proceeds**—For construction for company and its two subsidiaries. **Bids**—Bids for the purchase of the securities will be received by company at 600 Market Street, Wilmington, Del., up to 11:30 a.m. (EDT) July 6.

• Duval's Consensus, Inc., New York
June 22 (letter of notification) 10,000 shares of 5% cumulative preferred stock, non-convertible. **Price**—$5 a share. For working capital.

• Electronic Railway Signal Co., Chicago
June 24 (letter of notification) 7,500 shares (no par) common stock. **Price**—$15 each. No underwriter. Proceeds to be used for patent rights and operating expenses. Office, 105 W. Adams Street, Chicago.

NEW ISSUE CALENDAR

July 5, 1949

Emerson Radio & Phonograph Corp.______Common

July 6, 1949

Chicago & North Western Ry. Noon (CDT)______Equip. Trust Ctfs.

Delaware Power & Light Co. 11:30 a.m. (EDT)______Bonds and Pref.

New York Central RR______Equip. Trust Ctfs.

July 7, 1949

Atlantic Coast Line RR______Equip. Trust Ctfs.

Kansas Gas & Electric Co______Common

July 11, 1949

Florida Power & Light Co______Bonds

July 12, 1949

Akron Union Passenger Depot Co. Noon (EDT)______Bonds

Gas Industries Fund Inc______Common

New Jersey Power & Light Co____Bonds and Pref.

July 13, 1949

New England Power Co______Bonds

July 19, 1949

St. Joseph Lt. & Power Co______Bonds

July 26, 1949

Columbia Gas System Inc______Debentures

Emerson Radio & Phonograph Corp. (7/5)

June 7 filed 235,000 shares of capital stock. **Underwriter**—F. Eberstadt & Co., Inc. The terms and price of the offering have not yet been determined, but the stock will not be sold below the market price on the New York Stock Exchange at the time of the offering. **Proceeds**—The shares to be sold are from holdings of Mrs. Benjamin Abrams, Mrs. Max Abrams and Mrs. Louis Abrams, wives of principal officers and directors of the company, and do not involve new financing by the company. Following sale of the shares, the Abrams family will own approximately 25% of the company's 800,000 shares of common stock. Tentatively scheduled for week of July 5.

● **Federal Petroleum Corp., Salt Lake City, Utah**

June 20 (letter of notification) 16,650 shares ($3 par) common stock. Price, par. No underwriter. For drilling oil well.

● **First Mutual Trust Fund, New York**

June 23 filed 49,600 shares. **Underwriter**—National Securities & Research Corp., New York. **Proceeds**—For investments.

Florida Power & Light Co. (7/11)

May 20 filed $10,000,000 first mortgage bonds, due June 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Harriman Ripley & Co.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Bros.; The First Boston Corp.; Carl M. Loeb; Rhoades & Co. and Bear, Stearns & Co. (jointly); Shields & Co. **Proceeds**—To pay off $3,200,000 of short-term borrowings from Central Hanover Bank & Trust Co. and for construction and other corporate purposes. Expected about July 11.

Gas Industries Fund, Inc. (7/12)

June 22 filed 660,000 shares of common stock (par $1). **Underwriter**—White, Weld & Co. **Proceeds**—Company will operate as a specialty fund investing in securities of companies identified with the gas industry.

Gate City Steel Works, Inc., Omaha, Neb.

June 16 (letter of notification) 2,500 shares of 6% cumulative first preferred. **Price**—$100 per share. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds**—To pay off $250,000 on a $1,000,000 promissory note owed by corporation to its sole stockholder, Glenn E. Nielson of Cody, Wyo.

Gulf Atlantic Transportation Co., Jacksonville, Florida

May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Hawaiian Electric Co., Ltd., Honolulu

June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.

Helicopter Air Service, Inc., Chicago

June 9 filed 80,000 shares of convertible class A stock (par $4). **Underwriter**—Cruttenden & Co. **Proceeds**—To defray the cost of acquiring operating equipment, landing site installations and to provide working capital.

Horwood Lake Gold Mines Corp.

Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Kaman Aircraft Corp., Windsor, Locks, Conn.

May 23 filed 170,456 shares of class A non-voting common stock (10c per share non-cumulative dividend) and 11,362 shares of class B voting common stock. Price, $5.50 per share. **Underwriter**—None. **Purpose**—To acquire machinery, tools and equipment; to buy land and buildings; to produce 30 helicopters and accessories; to complete engineering changes; to setup sales and service departments; and to train service personnel.

Kansas Gas & Electric Co. (7/7)

May 16 filed 550,000 shares of common stock (no par) of which American Power & Light Co. (parent) will sell 450,000 shares. **Underwriter**—Union Securities Corp. **Proceeds**—Kansas Gas will use proceeds of 100,000 shares to pay for part of its construction program and to repay short-term bank loans from Guaranty Trust Co. of New York and eight Kansas banks.

Keller Motors Corp., Huntsville, Ala.

May 10 filed 5,000,000 shares (3¢ par) common. **Underwriter**—Greenfield, Lax & Co., Inc., New York. **Price**—$1 per share. **Proceeds**—For plant facilities, equipment and working capital to manufacture a low-priced, medium-sized station wagon.

Knox (Earl E.) Co., Erie, Pa.

June 14 (letter of notification) $150,000 first mortgage convertible sinking fund 6% bonds, due May 1, 1969. **Underwriter**—Reitzell, Read & Co., Inc., Erie, Pa. Price, par and interest. Retire $55,396 first mortgage bonds, working capital.

● **Krieger & Gillman, Monterey, Calif.**

June 23 (letter of notification) 33,344 shares ($3 par) non-assessable shares. Price, par. No underwriter. For general corporate purposes in connection with slaughtering of livestock. Office, 1009 Del Monte Avenue, Monterey, Calif.

Maumee Oil Corp., Toledo, Ohio

May 12 filed 8,000 shares (no par) common, of which only about 2,614 shares will be offered publicly at $100 per share. No underwriter. For general working capital. SEC held hearing June 6 to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

Messenger Corp., Auburn, Ind.

May 25 (letter of notification) 6,000 shares of 6% cumulative convertible preferred (par $25). Price, par. Convertible into common stock at $10 per share. **Underwriters**—The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago.

● **Midland Shoe Co., St. Louis, Mo.**

June 23 (letter of notification) 11,443 shares (no par) common stock. **Price**—$10 each. No underwriter. To increase stated capital and finance expansion. Office, 1412 Washington Avenue, St. Louis, Mo.

Missouri Utilities Co., Cape Girardeau, Mo.

May 26 filed 51,184 shares ($1 par) common. **Offering**—Offered to stockholders of record June 28 on 1-for-4 basis. Rights expire July 11. **Price**—$12.50 per share. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo. **Proceeds**—For construction.

● **Moore (William S.), Inc., Newark, Ohio**

June 21 (letter of notification) 16,666 shares (no par) common stock. **Price**—$12 each. No underwriter. To increase capital.

Mutual Telephone Co. (Hawaii)

June 7 filed 150,000 shares ($10 par) convertible preferred stock, series B. **Offering**—To be offered initially to holders of the common stock, in the ratio of one preferred share for each five of common held. **Underwriter**—Kidder, Peabody & Co. **Proceeds** — Proceeds will be used for construction and expansion which in 1949 will involve expenditure of about $4,340,500.

● **National Securities Series, New York**

June 23 filed 1,500,000 shares. **Underwriter**—National Securities & Research Corp., New York. **Proceeds**—For investment.

New England Power Co., Boston (7/13)

June 3 filed $5,000,000 of series C bonds due July 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; Otis & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Coffin & Burr; Carl M. Loeb, Rhoades & Co.; Merrill Lynch, Pierce, Fenner & Beane and Lee Higginson Corp. (jointly) and Harriman Ripley & Co. Company also plans to sell 160,000 shares of common ($20 par) to its parent, New England Electric System, at $25 per share. **Proceeds**—Proceeds of the bond and stock sale will be used to pay off $5,324,700 of bank loans obtained for construction and to provide money for construction expenditures expected to be made. Bidding expected July 13.

New Jersey Power & Light Co. (7/12)

June 9 filed $3,500,000 of first mortgage bonds, series due 1979, and 20,000 shares ($100 par) cumulative preferred stock. **Underwriters**—To be determined through competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Otis & Co.; Kidder Peabody & Co.; Salomon Bros. & Hutzler. **For preferred**: Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers. **Proceeds**—Will be applied to the payment of the cost of, or in reimbursement of payments made for, construction of additions and betterments subsequent to April 30, 1949. Expected July 12.

New York & Cuba Mail Steamship, New York

June 17 filed 190,125 shares of 5.6% cumulative preferred ($25 par) stock, which Atlantic Gulf and West Indies Steamship Lines is offering in exchange for its own preferred (5% non-cumulative $100 par) at the rate of one Atlantic share for three shares of Cuba Mail preferred plus $25 in cash. No underwriting.

Nielsen Television Corp., New York

Feb. 24 (letter of notification) 4,000 share of 6% cumulative non-convertible preferred stock (par $25) and 10,000 shares of common stock (par 25¢). **Underwriter**—Charles H. Drew & Co., New York. **Offering**—To be offered in units of one preferred share and 2½ common shares at $25.625 per unit. Capital requirements. Present plans will be revised.

Oil, Inc., Salt Lake City, Utah

May 19 (letter of notification) 172,690 common shares (par $1). Price, par. **Underwriter**—Waldron & Co., San Francisco, Calif. To drill and equip five wells, working capital, etc.

● **Pacific Gas & Electric Co., San Francisco**

June 22 filed 100,000 shares of Series A 5% redeemable first preferred stock ($25 par). **Price** — $25.75 a share. **Underwriting**—None. **Proceeds**—To be added to treasury funds. **Offering**—Stock is to be offered to employees.

Philadelphia Electric Co.

June 22 filed 972,624 additional shares (no par) common. **Offering**—To be offered initially to stockholders on a 1-for-10 basis held July 11. Rights expire about Aug. 11. Then unsubscribed shares would be available for subscription to regular full-time employees of the company and its subsidiaries—up to $150 per person. **Underwriters**—Drexel & Co. and Morgan Stanley & Co. will purchase unsubscribed shares. **Proceeds**—For construction.

● **Philippine Fish Products Development & Packing Corp., Chicago**

June 20 (letter of notification) 164 shares ($100 par) capital stock. Price, par. No underwriter. For establishing small canning business.

Power Petroleum Ltd., Toronto Canada

April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—To be named by amendment. **Proceeds**—For administration expenses and drilling.

● **Provincial Petroleum Corp., Spokane, Wash.**

June 9 (letter of notification) 500,000 shares (10¢ par) stock. Price, par. No underwriter. To drill for oil under permits issued by Canadian Pacific Railway.

● **Red Hook Neighborhood Center, Brooklyn, N. Y.**

June 17 (letter of notification) $5,000 in noninterest-bearing bonds and $5,000 2% bonds payable 90 days after notice in writing requesting payment. **Underwriting**—None. Purchase of building and making suitable alterations for maintaining a club.

Renaissance Films Distribution, Inc., Montreal, Que.

Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

● **Roberts Brothers Co. of Washington, D. C.**

June 21 (letter of notification) $75,000 6% 10-year debenture bonds. William Allerton Roberts and Irene Kennedy, trustees under trust indenture, will distribute the securities. For maintaining operating inventories and expanding business.

St. Joseph (Mo.) Light & Power Co. (7/19)

June 10 filed $4,750,000 of first mortgage bonds, series due 1979. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Otis & Co.; Equitable Securities Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Carl M. Loeb, Rhoades & Co.; Union Securities Corp. **Proceeds**—For property additions. Expected about July 19.

● **Santiago-Alaska Mines, Inc., Vancouver, British Columbia**

June 13 (letter of notification) 100,000 shares ($1 par) common stock. Price, par. No underwriter. Expenses connected with mine exploration and operation.

● **Sawtooth Mining Co., Inc., Moses Lake, Wash.**

June 9 (letter of notification) 750,000 shares (10¢ par) common stock. Price, par. No underwriter. To develop mining property.

Suburban Gas Service, Inc., Ontario, Calif.

March 31 (letter of notification) 4,000 shares ($25 par) series B preferred and 20,000 shares ($1 par) common—issuable upon conversion of preferred. **Price**—Preferred $25 per share. **Underwriters**—Wagenseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

(Continued on page 38)

(Continued from page 37)

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

● **Three States Oil Co., Inc., Fort Worth, Texas**
June 23 (letter of notification) 100,000 shares ($1 par) common stock. Price, par. To secure and drill and oil, gas and mining lease. Office, 317 Majestic Building, Ft. Worth, Texas.

Trenton Chemical Co., Detroit, Mich.
March 30 filed 131,841 shares 6% cumulative convertible class B preference ($2 par). **Underwriters**—Straus & Blosser, Chicago; Carr & Co., Detroit, and Lester & Co., Los Angeles. **Proceeds**—To build chemical plant and to replace working capital used for capital additions.

Mrs. Tucker's Foods, Inc., Sherman, Texas
Nov. 26 filed 200,000 shares of common stock (par $2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—For general corporate purposes.

Upper Peninsula Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9) **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

Virginia Dare Stores Corp., New York
June 7 (letter of notification) 20,000 shares of common stock, class A. **Price**—$5 per share. **Underwriter**—None. Working capital and general corporate purposes.

● **Westerfield Pharmacal Co., Inc., Dayton, Ohio**
June 23 (letter of notification) 395 shares of 5% cumulative convertible preferred stock ($100 par) and 750 shares of class B common. **Price**—$150 for one preferred with one common reserved. This is a reorganization, and 353 shares of old non-convertible preferred stock are to be issued in exchange for 353 of new convertible preferred. While the 750 shares of common are held for conversion. No underwriting. Net proceeds go into operating capital. Office, 11th St., Dayton, O.

Western American Life Insurance Co., Reno
March 30 filed 12,500 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

Western Oil Fields, Inc., Denver, Colo.
May 19 (letter of notification) 800,000 shares of common capital. Price, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver, Colo. For working capital and drilling of wells.

Wichman Philippine Mindanao Development Co., Cebu City, Philippine Islands
Jan. 5 filed 2,000,000 shares of voting capital stock, one centavo par value. **Price**—25 cents per share (U. S. currency). **Underwriter**—F. T. Andrews & Co. **Proceeds**—To provide funds for plant construction, diamond drilling, exploration and repayment of loans.

Willcox & Gibbs Sewing Machine Co., New York.
June 6 (letter of notification) 6,000 shares of 5% cumulative convertible preferred stock, series B (par $50). To be offered for subscription by common stockholders of record June 28 at $50 per share in ratio of one preferred for each 25 common shares held. Rights expire 5 p.m. (EDT) July 15. **Underwriting**—None. Subscriptions payable to Central Hanover Bank & Trust Co., 70 Broadway, New York. To pay bank loans ($250,000), working capital.

Worcester (Mass.) County Electric Co.
June 10 filed $5,500,000 of first mortgage bonds, series A, due July 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Otis & Co. **Proceeds**—To be applied to payment of bank borrowings ($4,950,000) and for construction or to reimburse company for previous construction outlays.

● **Wottring Manufacturing Co., Inc., Altadena, California**
June 20 (letter of notification) 200,000 shares ($1 par) common stock, of which 100,000 are to be offered publicly at par. For each share sold, a share is to be issued to L. R. Wottring, President of the company, for services rendered in organizing the company. No underwriter. To expand the company's production.

Prospective Offerings

● **Akron Union Passenger Depot Co. (7/12)**
Bids for the purchase of $2,000,000 first mortgage bonds, series A, to be dated July 1, 1949 and due July 1, 1974, will be received by the company at Room 1304, 2 Wall Street, New York, up to noon (EDT) July 12. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Drexel & Co.; Otis & Co.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; W. C. Langley & Co.

American Gas & Electric Co.
June 22 company announced it proposes to offer its common stockholders on or about Oct. 1, 1949, about 500,000 shares of stock on a basis of one share for each nine shares then held, the exact terms including subscription price to be determined at a later date. It is also likely that a second offering of common stock will be made some time in the latter part of 1950 on a 1-for-12 basis. The net proceeds are to be used to pay for improvements and for additional working capital.

Atlantic Coast Line RR. (7/7)
May 24 reported company plans the sale July 7 of $8,685,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **California Oregon Power Co.**
June 27 reported company may issue $7,500,000 bonds for expansion purposes. Probable bidders: Shields & Co. and E. H. Rollins & Sons (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly).

Chicago & North Western Ry. (7/6)
Company will receive bids up to July 6 at Room 1400 Daily News Building, Chicago, up to noon (CDT), for the purchase of $6,600,000 equipment trust certificates to be dated Aug. 1, 1949. Bidders at the sale are invited to submit alternate proposals for certificates maturing in 1 to 10 years and for the same certificates maturing in from 1 to 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers; Harris, Hall & Co. (Inc.).

● **Columbia Gas System, Inc. (7/26)**
June 23 company requested SEC authorization to issue and sell competitively $13,000,000 of debentures due August, 1974. The company wishes to invite bids for the debentures on July 19 and open the bids on July 26. Probable bidders: Morgan, Stanley & Co.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Goldman, Sachs & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler. Bids expected to be opened July 26.

Cornucopia Gold Mines, Spokane, Wash.
Common stockholders of record June 30 will be given the right to subscribe for an aggregate of 191,500 additional shares (par 5¢) in a 1-for-5 ration at approximately 27½ cents per share. Rights will expire Sept. 13 and are exercisable at office of Old National Bank of Spokane.

Iowa Power & Light Co.
May 12 reported company may be in the market this year with $7,500,000 first mortgage bonds and $3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co., and Union Securities Corp. (jointly); The First Boston Corp.; Glore, Forgan & Co., and A. G. Becker & Co. (jointly); Harriman Ripley & Co.

● **Maracaibo Oil Exploration Corp.**
The corporation is offering stockholders the right to buy one share of the company's stock for each eight shares held. The stock is priced at $5 a share. The offering is not being underwritten, but Alfred J. Williams, President, has agreed to exercise rights to buy 1,437 shares and his wife 651 shares, to which their holdings entitled them. Mr. and Mrs. Williams will buy 17,862 more shares if other stockholders don't buy this much. The total amount of new stock up for subscription is 49,500 shares. The offer is being made to stockholders of record July 13. Rights will expire Aug. 9. Funds raised by the stock sale will be used to develop properties now owned by the company and to buy new properties.

Middle South Utilities, Inc.
June 3 reported Electric Bond & Share Co. plans sale at competitive bidding of 803,230 shares of common stock (no par) which it will receive upon dissolution of Electric Power & Light Corp. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Dillon, Read & Co. Inc.

Montana-Wyoming Gas Pipe Line Co.
May 23 this company is being organized and will be publicly financed, to build a pipe line costing $8,000,000, to bring gas from the Worland (Wyo.) Unit Area, being developed by Pine Oil Co., into markets now being served by Montana-Dakota Utilities Co. in eastern Montana, western North Dakota and the Black Hills region of western South Dakota. Montana-Dakota Utilities Co. will lease and operate the facilities. Probable underwriters: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

New York Central RR. (7/6)
The company has issued invitations for bids to be considered July 6 on $11,400,000 equipment trust certificates. Certificates will mature serially in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

New York New Haven & Hartford RR.
April 13 stockholders authorized issuance of not exceeding $3,500,000 of equipment obligations. Probable bidders: Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Lehman Brothers and Bear, Stearns & Co. (jointly); Lee Higginson Corp.

Northern States Power Co. of Minnesota
June 11 reported company planning the sale at competitive bidding, possibly by early August, of $15,000,000 in new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co.

● **Pacific Power & Light Co.**
June 28 company contemplates the issuance by Nov. 15, next, of approximately $7,000,000 additional first mortgage bonds to retire outstanding notes and to finance its construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Finner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co.

● **Pennsylvania Power & Light Co.**
June 29 company reports that additional financing will be undertaken to finance construction program. It is expected to take the form of an issue of 75,000 preferred shares. Traditional underwriters: Drexel & Co. and The First Boston Corp.

● **Standard Oil Co. (New Jersey)**
June 29 expected company will file with the Securities and Exchange Commission, possibly June 30, a registration statement covering $150,000,000 25-year 2¾% debentures. It is expected that Morgan Stanley & Co. will be named as the managing underwriter.

Upper Peninsula Power Co.
June 16 Middle West Corp. and Consolidated Electric & Gas Co. applied to the SEC for an exemption from competitive bidding in connection with the proposed sale of their common stock holdings in the company consisting of 34,000 shares (17%) and 120,000 shares (60%), respectively. In their original application for authorization to sell the stock, filed last September, the companies proposed to sell the stock at competitive bidding. The SEC has scheduled a hearing for July 6 upon the proposed sale of this stock and the request for exemption from competitive bidding.

Wheeling & Lake Erie Ry.
April 8 reported company possibly may be in the market this summer with a new issue of bonds to retire $6,870,000 first consolidated mortgage 4% bonds due Sept. 1. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co.; Salomon Bros. & Hutzler; Shields & Co. and Harris Hall & Co. Inc. (jointly).

Reserve Board Aims to Increase Credit Supply

Reversing previous postwar anti-inflationary policy, Open Market Committee of Federal Reserve Board adopts program of increasing availability of credit.

It was announced by the Federal Reserve Board in Washington on June 28 that, after consultation with the Treasury Department, it has adopted a program to increase the availability of credit to meet the needs of all branches of business activity. Under the plan the Federal Reserve's Open Market Committee, in directing buying or selling government securities by the Federal Reserve Banks, would have "a primary regard to the general business and credit situation" though the "policy of maintaining the orderly conditions in the government security market, and the confidence of investors in government bonds, will be continued." It is apparently now the aim of the Federal Reserve Board to free the government bond market from rigid supports either of price or rate and thus to offset the drive by banks to increase investments in government securities. The objective is to increase the money supply, prevent calling of loans and encourage lending by banks.

Our Reporter's Report

Several of the larger houses in the underwriting field, particularly those which are well-rounded out and in a position to undertake wide-scale distribution, are inclined to lean away from competitive bidding ventures as hardly worth the effort involved.

As a rule they'll be in with a bid but their calculations are usually based on the idea that you've got to have a reasonable spread to make the business worthwhile. Accordingly you will find them invariably trailing the winner by a fair margin.

Yet they have no real complaints since, as they will tell you, the field of negotiation is somewhat more lucrative and naturally more attractive. These firms have been doing right well by themselves and have been able to keep their staffs and distributing affiliates busy through the medium of such operations, including "standby" agreements on company offerings to shareholders on "rights."

This does not mean that such firms have abandoned the competitive bidding field, but rather that they would just as soon put in their efforts in fields where the pay is better and the risk of being "hung up," as a long-term investor, not so great.

This apparently is true not only among certain of the underwriting firms, but also holds with some of the smaller participating organizations. Not many partnerships in the business have been paying bonuses to workers in recent months. But one firm, which has been taking an active part in equity distributions, only a fortnight ago sweetened up the envelops of its staff in just that fashion.

What the Doctor Ordered

Judging by reports on pre-offering inquiry, the Michigan

Consolidated Gas Co.'s new 3⅞% debentures, due in 18 years, proved ideal for a great many portfolios.

It had several considerations to recommend it, not the least among them the fairly intermediate term as bonds go these days, plus an unusually attractive yield.

It afforded potential buyers their first opportunity in some time to go after an issue which offered a return of 3.75% at the issue price, and evidently they took kindly to it.

Pacific Gas & Electric

Three banking groups vied for the $80,000,000 of 34-year first and refunding mortgage bonds put up for sale on Tuesday by Pacific Gas & Electric Co., with the winning group paying the company 100.13 for a 3% coupon.

Perhaps indicating something of a change in thinking among investment bankers, two other bids submitted specified a 3⅛% rate for the issue.

The successful group are reoffering at a price of 100.639 for a yield basis of 2.97%. Good demand is indicated with several insurance companies reported interested.

Turning It Loose

The banking group which sponsored Tennessee Gas Transmission Co.'s $50,000,000 of first mortgage 3% bonds, due in 1969, decided to turn the issue loose after a week of rather slow distribution.

Bankers paid the company 100.33 for the bonds and reoffered the loan publicly at 100¾ to yield 2.95%. Potential buyers, however, were a bit on the slow side at that level and the market was sluggish.

With two big issues up for bids on Tuesday of this week, the syndicate, presumably deciding to free its members for participation in the new business, decided to terminate the agreement and turn the bonds loose.

With price restrictions off the issue settled back with substantial blocks reported moving at 100¼. It dipped to a 99¾ bid-100¼ asked basis thereafter and then appeared to stiffen.

"Street Sized" Deals

At least two issues are in the offing on which competitive bidding should prove really keen. In the case of the big over-sized undertakings, the number of bidders is usually limited due to capital requirements.

But on smaller projects, such as Delaware Power & Light Co.'s $10,000,000 of new first mortgage 30-year bonds, up for bids next Wednesday, and Florida Power & Light's similar issue, due about July 11, the case is different.

As a rule deals of this size really bring out the competition since the capital requirements permit the forming of more groups.

Sees Need of Relief for Investors to Revive Sagging Economy

Thomas B. Meek, President of National Association of Investors' Brokers, points out that capital resources—"the goose that lays the golden eggs"—are neglected. Holds Government policies discourage capital investment.

Immediate relief for the investors and the risk takers of the nation—the people who provide the capital that makes jobs at home and abroad—in order to revive our sagging economy was urged by Thomas B. Meek, President of the National Association of Investors' Brokers at the quarterly meeting of the Association of Customers' Brokers of New York City on June 15.

Thomas B. Meek

"There is demand for relief for Europe, relief for the farmer, relief for the unemployed, all undoubtedly worthy and advisable in themselves, but there is too little consideration given to redeveloping the source of all this bounty, the goose that lays the golden eggs, the capital resources of our country," Meek stated. "One reason for the depressed securities markets of recent weeks, and the unusually low valuations of the equities of our leading corporations, is the serious lack of venture capital. For many years government policies have tended to frighten and to discourage capital. One of the most obvious is incentive-killing taxation, which has driven large sums into non-creative forms of investment. The only prosperity that we have had in the past 20 years has been primed by government spending, rather than by the free and natural flow of private capital, therefore it has been an 'uneasy' prosperity. Now that our government finds it necessary to make larger commitments abroad and at home, and now that corporations are anxious to raise funds to modernize and to expand their plants, we have come to grips with the shocking fact that there just isn't enough risk money to go around. Take the shackles off capital and it will go to work. Vigorous capital activity will insure continued high employment and will provide the revenues to meet this country's domestic and international program," Meek continued.

Mr. Meek pointed out that the recent recommendation by the CIO Full Employment Committee to President Truman that tax relief would halt recession and increase the supply of jobs, shows an awareness of the problem. "The NAIB is suggesting to them and to authorities in Washington," he said, "a form of tax relief that will help revive the flow of capital and at the same time provide increased revenues to the government—that is the elimination of the six months holding period of the capital gains tax. We will issue a pamphlet on this subject in the near future."

C. Alfred Bailey to Form Own Inv. Firm

DALLAS, TEX. — C. Alfred Bailey will shortly form Bailey & Co., with offices in the Wilson Building, to engage in the securities business. Mr. Bailey was formerly an officer of Dittmar & Co.

C. Alfred Bailey

Market Analyst Sees Apathy in Stock Market

William W. Lewis, of the Research Department of Courts & Co., says action on part of securities industry and securities salesmen is needed to stimulate interest by selling free enterprise, individual opportunity and faith in market.

Under the caption "Time for Decision," the following analysis of the stock market situation, as of June 21, has been put forward by William W. Lewis, a member of the Research Department of Courts & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, whose main office is in Atlanta, Ga.:

"What is the matter with the Market? If it were necessary to answer with only one word, that word might well be Apathy. What is apathy? It is primarily a state of mind, the dominant feature of which is a lack of interest, and the physical manifestation of which is absence of action. What is the cure? Obviously stimulation of interest.

"That is where the Securities Industry and the securities salesman come in, or should. The Market is the business of the Industry and the livelihood of the salesman. But it is even more. It is one of the last line fortresses of true democracy and free enterprise. Apathy toward the Market therefore is a dangerous thing in these times when strong, vital and aggressive forces are seeking to destroy democracy as we have known it. The less interest the general public has in the ownership of private enterprise, the less they care what becomes of it, and the weaker becomes the defense against the subtle and invidious encroachments of destructive forces.

"Logically then, it would be expected that in such a period of public apathy toward the Market the Securities Industry and the securities salesman would be most aggressively employing every possible means to stimulate interest in the things they represent. Is this presently the case? In too many instances the answer is No. In too many cases, the doctor appears to be infected with the same paralyzing disease as the patient. **In what other business does the salesman take his cue from the customer?** Who can sell anything in an atmosphere of indecision, fear and gloom? Who can sell when his very attitude denotes a lack of confidence in either the present or the future of the thing he represents?

"In the final analysis the Securities industry is selling free enterprise, individual opportunity, faith in America. If we don't believe in these things, let's get out of the business. If we do believe in them, let's get to work, think, act, and inspire confidence. It is true that action may at times involve some risk but is equally true that inaction invites disaster."

Liquidation Notice

The Plainfield National Bank of Moosup, located at Moosup, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

BENJAMIN F. DAWSON, Liquidating Agent

Dated June 24, 1949

DIVIDEND NOTICES

New England Gas and Electric Association

COMMON DIVIDEND NO. 9

The Trustees have declared a quarterly dividend of twenty-two and one-half cents (22½¢) per share on the COMMON SHARES of the Association payable July 15, 1949 to shareholders of record at the close of business June 30, 1949.

H. C. MOORE, JR., *Treasurer*

June 23, 1949.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on August 1, 1949, to stockholders of record on July 11, 1949. The transfer books will not close.

THOS. A. CLARK, Treasurer

June 23, 1949.

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 167

A dividend of $.50 per share on the no par value Common Stock has been declared, payable July 29, 1949, to stockholders of record at the close of business on July 5, 1949.

Checks will be mailed.

BRUCE H. WALLACE, *Treasurer*

New York, June 22, 1949.

PACIFIC FINANCE CORPORATION *of California*

DIVIDEND NOTICE

On June 15, 1949, the Board of Directors declared regular quarterly dividends of $1.25 per share on the 5% Series and 5% Sinking Fund Series Preferred Stocks ($100 par value) of this Corporation, each payable August 1, 1949, to stockholders of record July 15, 1949.

B. C. REYNOLDS, *Secretary*

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 25c per share on the Common Stock, payable July 1, 1949 to Stockholders of Record at the close of business June 22, 1949. Transfer books will remain open.

ROBERT B. BROWN, Treasurer.

GOODYEAR

DIVIDEND NOTICE

The Executive and Finance Committee of the Board of Directors has declared today the following dividends:

$1.25 per share for the third quarter of 1949 upon the $5 Preferred Stock, payable September 15, 1949 to stockholders of record at the close of business August 15, 1949.

$1.00 per share upon the Common Stock, payable September 15, 1949 to stockholders of record at the close of business August 15, 1949.

The Goodyear Tire & Rubber Co.

By W. D. Shilts, *Secretary*

Akron, Ohio, June 28, 1949.

The Greatest Name in Rubber

DIVIDEND NOTICES

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of forty cents (40c) a share on the Capital Stock of the Company, payable July 20, 1949 to stockholders of record at the close of business July 5, 1949.

L. G. CLARK, Treasurer

June 23, 1949

The Board of Directors of **Wentworth Manufacturing Company** has declared a dividend of twelve and one-half cents (12½¢) per share on the outstanding common stock of the Company, payable on August 20, 1949, to stockholders of record at the close of business August 1, 1949.

Checks will be mailed.

JOHN E. McDERMOTT, Secretary.

RAYONIER INCORPORATED

PRODUCER OF HIGHLY PURIFIED WOOD CELLULOSE

The Board of Directors has declared a regular quarterly dividend of fifty cents (50¢) per share on the Common Stock, payable August 15, 1949, to stockholders of record at the close of business July 29, 1949.

EDWARD BARTSCH, President

June 21, 1949

SOUTHERN STATES Iron Roofing Company

SAVANNAH, GEORGIA

Dividend on Preferred Stock

A quarterly dividend of thirty-one and one-quarter cents (31.25c) per share on the Preferred Stock of this company has been declared, payable on July 1, 1949 to stockholders of record June 15, 1949.

ROSS G. ALLEN, *Secretary and Ass't Treasurer*

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—After reaching a high pitch, the economy drive in Congress is beginning to show signs of debility.

This drive did reach a high pitch. This was evidenced by two developments. One was the large vote lined up against the public housing bill in the House. Until early in May, that bill was expected by its proponents to get by with a vote of between three and four to one.

Another evidence that the economy drive was getting some where was the large vote indicated in an informal poll for the proposal to direct the President to cut between 5% and 10% off of appropriations approved by Congress for fiscal '50.

The debility which is beginning to operate against the economy drive arises from discouragement. The discouragement comes from an appreciation of the terrific pressure the Administration and its labor and social uplifting friends are putting out against all advocates of economy, and from the adamant position of the White House itself on the question.

* * *

In the matter of the 5 to 10% cut, a proposition current in the Senate, the Administration will just not let it come to a vote. The informal petition of 56 Senators is an expression of sentiment. It is not a petition, similar to a discharge petition in the House, to force the proposition to a vote. There is no similar procedure in the Senate. The only way action can be forced in the Senate is by a motion to take up. By custom the Administration majority in the Senate is supposed to "control the calendar;" i.e., determine the order of business.

So far the Administration has not openly announced it will try to stop a vote on the percentage economy cut. The Administration spokesmen are just stalling the vote. The conservatives know, however, that the stalling will continue indefinitely unless the prospective line-up changes against economy.

* * *

It is believed that the background situation is that while some 60 Senators are said to favor the percentage cut, the conservatives could not get a majority vote to force this cut on the calendar as the next order of business some day soon. So some of the 60 more or less of Senators proclaiming their views for economy, are "on the record" for economy sentimentally but are as yet unwilling to stick their necks out in a roll call vote.

For this faint-heartedness, there is said to be an explanation offering some sympathy to the wavering economy advocates. Between the public housing and labor law bills, the conservatives in Congress have been threatened, cajoled, lobbied, and pressured to death for several weeks. There are no lobbies riding herd on Congressmen for economy and for a labor law that will equalize somewhat the responsibilities of labor with management.

And, as an illustration of the pressure, the lefties are bragging all around the Capitol that in 1950 they will for sure purge Rep. Jesse P. Wolcott, ranking Republican on the Banking and Currency Committee. Wolcott is acknowledged as the man who organized and gave heart to the opposition to the public housing bill.

* * *

As to the merits of the 5 to 10% cut in expenses, the Administration boys contend that it is both "unscientific" and "cowardly." It is "unscientific" simply because it will harm some activities more than others. It is "cowardly" because it shows that Congress hasn't the courage to make the cuts itself, but forces the President to make them. Then when cut-backs are made, many of the very Congressmen who voted for the percentage cut will blame the Administration when the howl comes from the activities which would be curtailed.

To this one outstanding GOP member replied anonymously: "That's OK but what we are faced with is that Truman says his Budget is rock bottom. We can get no cooperation whatever from him in achieving detailed cuts. All his little boys come to the Hill and tell the Appropriations Committee their estimates are rock bottom. If any of the officials wanted to be frank with Congress about where cuts might be made, they wouldn't dare, because Mr. Truman has put a very tight muzzle on them."

* * *

In any case, if the percentages cut finally does prevail in the Senate, which is doubtful, its chances in the House are most slender, at this point.

* * *

Terrific if quiet pressure has been put upon members of the Ways and Means Committee by the White House and its lieutenants to bring out a bill enlarging the social security program the way the President wants it. This pressure has from time to time led to tentative reversals of votes in executive session against broadly expanding the program. This pressure and these reversals explain the various stories printed recently, to the effect that the Ways and Means Committee may shortly come out with a bill giving Mr. Truman about three-fourths of what he asked for in the way of social security expansion.

This may be so. On the other hand, other members of the committee are willing to bet that when the final votes have been taken, the conservative Democrats on the committee will figuratively tell Mr. Truman to go jump into the Potomac on this question, and will trim the bill sharply. Even if the committee brings out a broad bill, final Congressional action is not anticipated this year, unless Congress stays around until the frost is on the pumpkin. In these lattitudes, that is about Nov. 1.

* * *

Veterans Administration is firm on the estimate of $2.8 billion as the amount which, beginning next year, will be refunded on National Service Life Insurance as a result of the recomputation of insurance liabilities under the fund. There were two previous estimates. Mr. Truman figured on $2 billion in his Budget. An expert of the Hoover Commission had estimated the aggregate refund as between $1.5 and $2 billion.

* * *

Rep. Francis Walter, conservative Democrat of Pennsylvania, has finally prevailed upon the House Judiciary Committee to make a study of the antitrust laws.

Mr. Walter's idea was that the laws should be examined quietly by the committee, composed of lawyers, and by the legal talent of the Justice department and the Federal Trade Commission. Mr. Walter wanted to study conflicts in the laws and objectives, and to codify these laws and bring them up to date, to "make sense" out of the antitrust laws. For several months the Administration leadership thwarted this study.

Now the committee has decided to go ahead with the study. The special subcommittee which will undertake the work, however, will be under the aggressive influence of Chairman Emanuel Celler of New York, who sees the "menace of the monopolies" the same way as the Administration does. Net result of the subcommittee's deliberations is expected to lead toward rather than away from political cracking down on monopoly, the favorite political whipping boys.

Incidentally the Patman roadblock against the bill legalizing use of freight absorption by manufacturers in good faith to meet competition, and where freight absorption is by individual companies and not part of a "conspiracy," has been removed. The bill will pass. It will pass because the Administration has come to its support, even though Rep. Wright Patman doesn't like it.

* * *

What Senator J. William Fulbright of Arkansas is shooting at in his Senate Banking subcommittee hearings on the lending policies of the Reconstruction Finance Corp., is the idea of defining a new lending policy for that agency. Fulbright would bar RFC from lending money to save a business except when it should lend money to save many businesses in a period of general liquidation.

Senator Fulbright will cast the only vote, however, for such a lending policy if the committee ever formally consider's Fulbright's proposition. There are two reasons for this. A great majority of Congress wants to keep RFC a live. Only if RFC can make a few small business loans and bail out the occasional business, can it keep alive as a going concern.

Conservatives are inclined to string along with RFC, for if that agency were ever put into liquidation, what Congress would pass in the way of an agency to help small business would be far more expensive. RFC has built a reputation for eschewing bureaucratic "empire building," a willingness to stay put on a standby basis until it might be again needed.

Also, RFC has a reputation for being more hard-headed than scores of other government lending agencies, and in particular has resisted the drive by the Civil Aeronautics Board that it undertake to bail out the scheduled airlines wholesale with government financing.

Second, this proposition will be voted down because Chairman Burnet R. Maybank of the full committee has set out a shingle as an outstanding Senatorial spokesmen for small business, and he isn't going to let such a thing sabotage his program.

Fulbright also would forever bar, in effect, any RFC employee from ever taking any job with any RFC lender, whether a lender on direct account or in a commercial bank participation loan. This, if considered at all, will be whittled down to where the RFC board can take responsibility for the propriety or impropriety of allowing an employee to quit and work for a debtor or former debtor.

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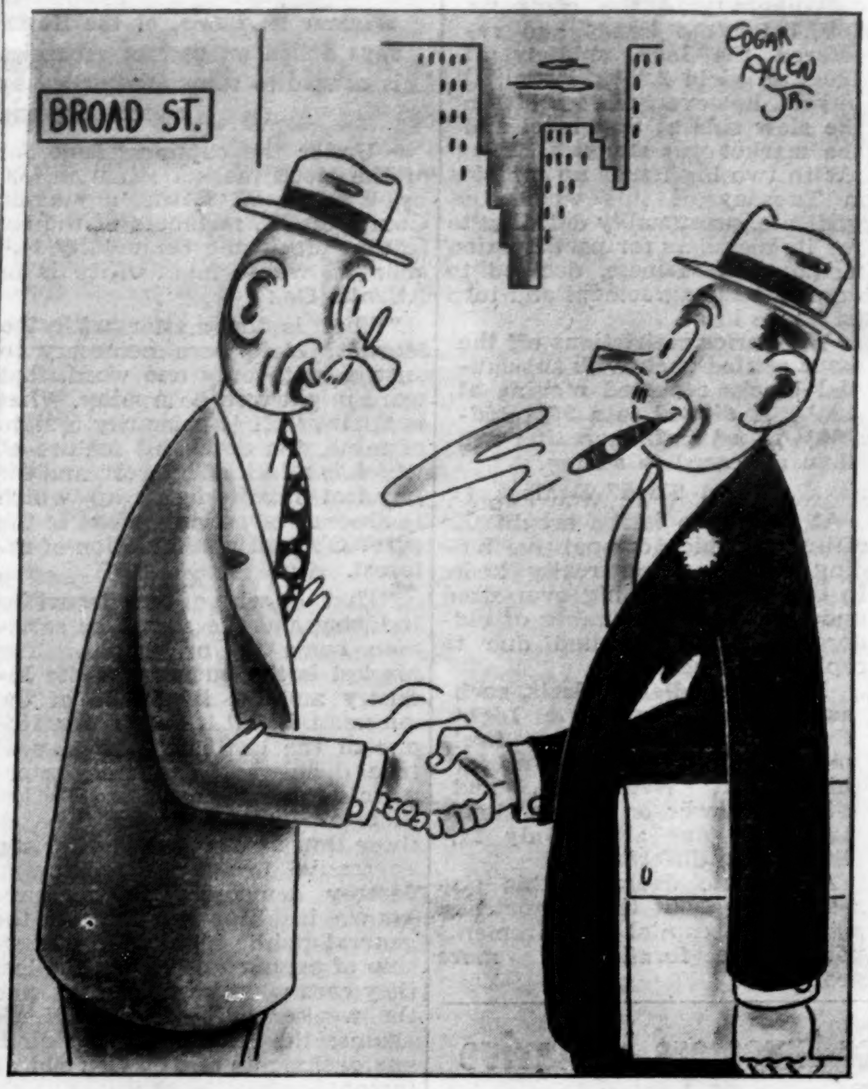
In the House Agriculture Committee, the Brannan direct farm income subsidy plan has developed far more strength than members of the committee predicted, a few weeks ago. This has been due largely to a coalition of tobacco and cotton state representatives. The wheat and corn boys still don't like it.

However, full Brannon plan enactment this year looks most doubtful. A majority of the Senate committee is still against it. It still looks like a "temporary" continuance of 90% or near 90% price supports for another year.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Hello, B. J.!—Happy New Fiscal Year!"

Frederick Swan With Draper, Sears & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Frederick M. Swan has become associated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. Mr. Swan previously conducted his own investment business in Boston under the name of Swan, Stickley & Co.

Prescott & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Glenn C. Sheidler has been added to the staff of Prescott & Co., Guardian Building, members of the New York and Cleveland Stock Exchanges.